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# A Patent Reformist Supreme Court and Its Unearthed Precedent

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# A Patent Reformist Supreme Court and Its Unearthed Precedent

Samuel F. Ernst\*

*How is it that the Supreme Court, a generalist court, is leading a project of innovation reform in our times while the court of appeals established to encourage innovation is having its precedent stricken down time and again? This decade the Supreme Court has issued far more patent law decisions than in any decade since the passage of the Patent Act of 1952. In doing so, the Supreme Court has overruled the Federal Circuit in roughly three-quarters of the patent cases in which the Supreme Court has issued opinions. In most of these cases, the Supreme Court has established rules that favor accused infringers over patent holders, and the result has been an era of patent litigation reform far more impactful than anything Congress has achieved. Scholars have observed that the Supreme Court tends to overrule Federal Circuit decisions that (1) impose rigid legal rules as opposed to flexible standards; (2) adopt special rules for patent law cases rather than applying general principles of law and equity applicable to all federal cases; and/or (3) fail to grant sufficient discretion to the district courts. This paper examines the twenty-eight Supreme Court opinions overruling the Federal Circuit since 2000 and quantifies their rationales to discover that, while these reasons are*

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*often invoked, the Supreme Court's most common rationale is that the Federal Circuit has disregarded or cabined its older precedent from before the 1982 creation of the Federal Circuit, from before the 1952 Patent Act, and even from before the 20<sup>th</sup> Century. The Court has relied on this rationale in twenty-one of the twenty-eight cases. The paper then seeks to probe beneath the surface level patterns to discover the deeper roots of the discord between the Supreme Court and the Federal Circuit. Constitutional law scholars have observed that the Supreme Court's policy preferences are the primary, unstated motivation behind its decisions. The Court writes opinions that rely on the flexible tools of precedent and stare decisis in order to implement its policy choices while maintaining its institutional reputation for neutrality. The Court does this by influencing precedent vitality; the Court selects which of its precedent to rely upon and augment and which of its precedent to distinguish and narrow. This process runs in direct conflict with the Federal Circuit, a court that was originally conceived and viewed by some of its members as a court intended to bring uniformity to patent law in a way that would reinvigorate patent rights. The Federal Circuit would implement the 1952 Patent Act in a way that would draw patent law out of the nineteenth century. But for the Supreme Court, the 1952 Act was a mere codification of patent law as developed by the courts for over a hundred years. Hence, the Federal Circuit seeks to influence precedent vitality at direct cross-purposes with the Supreme Court. The result of the Supreme Court's project has been a new era of common law patent reform in favor of accused infringers, which is gaining momentum as the Supreme Court decides far more patent cases than it has since the passage of the Patent Act of 1952.*

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## INTRODUCTION

The Supreme Court has issued far more opinions in patent cases this decade than in any decade since the passage of the Patent Act of 1952.<sup>1</sup> The Court has issued thirty-one patent law opinions in the 2010s, fifteen more than the decade finishing a distant second, the 1960s, which saw the issuance of only sixteen patent law opinions.<sup>2</sup> Nor is there any sign the Court is slowing down in its engagement with patent law; the Court recently granted certiorari in another patent law case,<sup>3</sup> making it likely that the Court will issue as many as thirty-five patent law opinions this decade.

This sudden surge in patent law activity at the high court raises questions with respect to the Supreme Court's relationship with the Court of Appeals for the Federal Circuit, the circuit court with nationwide appellate jurisdiction over patent law. Since its creation in 1982,<sup>4</sup> the Federal Circuit has never received more scrutiny from the Supreme Court.<sup>5</sup> No doubt this is due in part to the growing importance of patent disputes in a legal landscape featuring booming high technology and pharmaceutical industries, cellphone wars, and patent trolls stalking the horizon.<sup>6</sup> But these phenomena were present in the 2000s as well, a decade that saw the issuance of only ten Supreme Court substantive patent law opinions.<sup>7</sup> Rather, this sudden burst of activity indicates the Supreme Court is increasingly interested in scrutinizing and, more

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<sup>1</sup> See *infra* Section I.A.; see also Timothy B. Dyk, *Thoughts on the Relationship Between the Supreme Court and the Federal Circuit*, 16 CHI.-KENT J. OF INTELL. PROP. 67, 67 & Table 1 (2016) (“The Supreme Court takes a lot of our cases”); Seth P. Waxman, *May You Live in Interesting Times: Patent Law in the Supreme Court*, 17 CHI.-KENT J. OF INTELL. PROP. 214, 215–16 (2018) (describing a “fourfold increase in the rate of patent decisions” since 2006).

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

<sup>3</sup> See *Helsinn Healthcare S.A. v. Teva Pharm. USA, Inc.*, 138 S. Ct. 2678 (2018) (order granting certiorari).

<sup>4</sup> See Pub. L. No. 97-164, 96 Stat. 25 (1982) (establishing the United States Court of Appeals for the Federal Circuit).

<sup>5</sup> See Waxman, *supra* note 1 at 216 (“In the 23 years between 1983 and its *eBay* decision in 2006, the Supreme Court decided 17 patent cases. In the 11 years since *eBay*, it decided 33.”).

<sup>6</sup> See Waxman, *supra* note 1 at 216 (“[T]he Supreme Court’s increased interest in patent law tracks the rising importance of intellectual property in our society.”).

<sup>7</sup> See *infra* Part I.

often than not, correcting the patent law jurisprudence of the Federal Circuit.

Since the year 2000, the Supreme Court has reversed or vacated the Federal Circuit in patent law cases in 74% of the opinions it has issued reviewing that court<sup>8</sup>: ten judgments affirmed<sup>9</sup> and 28 judgments reversed or vacated (in whole or in part).<sup>10</sup> This reversal rate in patent law appeals combined with the

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<sup>8</sup> These numbers do not include the case of *Carlsbad Tech., Inc. v. HIF Bio, Inc.*, 556 U.S. 635 (2009), because although that appeal arose from a patent litigation proceeding, the issue before the Supreme Court was one of general civil procedure, not patent law. *See id.* at 1867 (holding that when a district court remands claims to a state court after declining to exercise supplemental jurisdiction, the remand order is not based on a lack of subject matter jurisdiction to preclude federal appellate review of the order). Nor do these numbers include the three Supreme Court patent law cases during this period on certiorari to courts other than the Federal Circuit. *See Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401, 2406 (2015) (on certiorari to the Ninth Circuit); *F.T.C. v. Actavis, Inc.*, 570 U.S. 136, 141 (2013) (on certiorari to the Eleventh Circuit); *Gunn v. Minton*, 568 U.S. 251, 256 (2013) (on certiorari to the Supreme Court of Texas).

<sup>9</sup> The ten affirmances are: *Oil States Energy v. Greene's Energy*, 138 S. Ct. 1365, 1379 (2018); *Cuozzo Speed Techs. LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016); *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2360 (2014); *Bowman v. Monsanto*, 569 U.S. 278, 289 (2013); *Kappos v. Hyatt*, 566 U.S. 431, 446 (2012); *Microsoft Corp. v. i4i Ltd.*, 564 U.S. 91, 114 (2011); *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys.*, 563 U.S. 776, 793 (2011); *Global-Tech Appliances v. SEB S.A.*, 563 U.S. 754, 771 (2011); *Bilski v. Kappos*, 561 U.S. 593, 613 (2010); *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int'l Inc.*, 534 U.S. 124, 146 (2001).

<sup>10</sup> The twenty-eight opinions vacating or reversing the Federal Circuit (at least in part) since 2000 are: *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2139 (2018) (reversed); *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1360 (2018) (reversed); *Sandoz Inc. v. Amgen Inc.*, 137 S. Ct. 1664, 1678 (2017) (vacated-in-part, reversed-in-part); *Impression Prods., v. Lexmark Int'l, Inc.*, 137 S. Ct. 1523, 1538 (2017) (reversed); *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1521 (2017) (reversed); *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 967 (2017) (vacated-in-part); *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 743 (2017) (reversed); *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429, 436 (2016) (reversed); *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016) (vacated); *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1931 (2015) (vacated); *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 843 (2015) (vacated); *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U.S. 898, 913 (2014) (vacated); *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 572 U.S. 915, 924 (2014) (reversed); *Highmark Inc. v. Allcare Health Mgmt. Sys.*, 572 U.S. 559, 564 (2014) (vacated); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 557 (2014) (reversed); *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 571 U.S. 191, 203 (2014) (reversed); *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 596 (2013) (affirmed-in-part, reversed-in-part); *Caraco Pharm. Labs., Ltd. v. Novo Nordisk A/S*, 566 U.S. 399, 426 (2012) (reversed); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1305

marked increase in the number of patent law appeals the Supreme Court wants to hear raises the question: how does the Supreme Court's perspective on patent law differ from that of the Federal Circuit? What is the Supreme Court doing to patent law?

Part I of this paper analyzes and quantifies the four most common justifications the Supreme Court gives for disturbing Federal Circuit patent law rulings: (1) that the Federal Circuit has disregarded or cabined Supreme Court precedent; (2) that the Federal Circuit imposed a rigid, inflexible rule where a general standard would be more appropriate; (3) that the Federal Circuit improperly created a special rule for patent law; and (4) that the Federal Circuit's rule granted insufficient discretion to the district court. The appellate lawyer would be well advised to argue a combination of these points to get the Supreme Court's attention on a petition for certiorari. The most common justification given by the Supreme Court for its reversal or vacatur of Federal Circuit patent rulings is that the Federal Circuit has disregarded or cabined Supreme Court precedent from prior to the 1982 creation of the Federal Circuit or from prior to the passage of the Patent Act of 1952. The Court has relied on this rationale in twenty-one out of the twenty-eight opinions in which it has overruled the Federal Circuit on patent law issues since 2000.<sup>11</sup> None of the three remaining rationales have been relied upon in more than nine opinions issued since 2000.<sup>12</sup>

Part I of this paper continues by analyzing the Supreme Court's patent law decisions this century to conclude that we are in an era of Supreme Court patent law reform to favor accused infringers. Out of the forty-one substantive patent law opinions issued by the Supreme Court since 2000 (including the three on certiorari to

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(2012) (reversed); *Quanta Comput., Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 638 (2008) (reversed); *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 459 (2007) (reversed); *KSR Int'l. Co. v. Teleflex, Inc.*, 550 U.S. 398, 428 (2007) (reversed); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 137 (2007) (reversed); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 394 (2006) (vacated); *Illinois Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 46 (2006) (vacated); *Merck KGaA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193, 208 (2005) (vacated); *Holmes Group, Inc. v. Vornado Air Circulation Sys.*, 535 U.S. 826, 834 (2002) (vacated); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 742 (2002) (vacated).

<sup>11</sup> See *infra* Part I.

<sup>12</sup> See *id.*

regional circuits), twenty-four established a rule favoring accused infringers; eleven established a rule favoring patent holders; and six established a rule that may favor either party depending on the particular facts of the case.<sup>13</sup> More important than these numbers, however, is the fundamental importance of Supreme Court rulings in remaking patent litigation to favor the accused. Since 2000, the Supreme Court has expanded the obviousness doctrine, given teeth to the doctrine of patent ineligible subject matter, revitalized the exhaustion doctrine, made it more difficult to obtain patent injunctions (particularly for non-practicing entities), narrowly construed statutes providing remedies for international infringement, strengthened the defense of patent claim indefiniteness, and made other common law reforms to favor accused infringers.<sup>14</sup>

Part II of this paper steps out of the cloister of patent law scholarship to explore the reasons why the Court has chosen to pursue this policy of patent litigation reform. Supreme Court scholarship in other areas of law, such as constitutional law, indicates that the Court is influenced in its policy decisions by external forces in the legal system. As with these other areas of law, the Court has been influenced to pursue patent litigation reform because of several interrelated external factors: the explosion of patent enforcement litigation in the lower courts and, in particular, non-practicing entity litigation; litigation reform campaigns mounted by high tech businesses in response to NPE activity; a steep increase in the number of amicus briefs filed in patent cases; and a general metanarrative that, rather than encouraging innovation, patents can sometimes stand as a thicket to true innovation, because startup companies and other innovators must navigate a thicket of demand letters and lawsuits asserting patents that have never been commercialized just to get a product to market.<sup>15</sup>

Part II concludes by exploring the methods employed by the Supreme Court in pursuing this agenda. Supreme Court scholars have observed that the Court pursues unstated legal policy

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<sup>13</sup> See *infra* Part I.

<sup>14</sup> See *id.*

<sup>15</sup> See *infra* Part II.



objectives through the flexible and seemingly neutral tool of *stare decisis* to influence precedent vitality. This means amplifying precedent that supports the unstated policy goals and disregarding or narrowing precedent that stands opposed to those goals. With respect to patent law, the unmistakable conclusion is that the Supreme Court has pursued a policy of patent litigation reform to favor accused infringers, and has done so very effectively by relying on its precedent from two previous eras of patent law reform: (1) the late 1800s, when large railroad companies and farmers were plagued by a thicket of patents and non-practicing entities, in response to which the Supreme Court created common law reform to ease these crises; and (2) the 1930s to the 1960s, another period of patent common law reform when the courts were distrustful of patent monopolies and strengthened patent misuse, antitrust, and exhaustion remedies as well as invigorating the obviousness bar.<sup>16</sup>

Part III of this paper explains why the Supreme Court's patent litigation reform project has come into direct conflict with the Court of Appeals for the Federal Circuit. From its founding in 1982, the Federal Circuit's early judges and stakeholders in the creation of the court viewed the court as intended to create uniformity in patent law in order to strengthen patent rights. If the Federal Circuit were to bring guidance and uniformity to patent law, this would require the creation of uniform, rigid rules and the rejection of flexible, equitable standards that granted too much discretion to the district courts to restrict patent rights. And if the Federal Circuit were to create patent law reforms to strengthen patent rights, then it would have to have a free hand in interpreting the 1952 Patent Act in new ways and not adhering to Supreme Court precedent from prior to the passage of the 1952 statute. All of this comes into direct conflict with the Supreme Court's mission of reviving cases from eras of patent law reform that grant discretion to the district courts to rule on patent law cases with equity and flexibility in order to protect true innovations from the patent thicket.<sup>17</sup>

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<sup>16</sup> See *infra* Part II.

<sup>17</sup> See *infra* Part III.

## I. PATENT LAW REFORM AT THE SUPREME COURT: 2000-PRESENT

A. *The Patent Law Explosion at the Supreme Court*

At one time, patent law was an obscure area of the law, largely noticed only by patent practitioners.<sup>18</sup> Relative to the current decade, the Supreme Court issued few patent law opinions in the decades after the passage of the 1952 Patent Act. The Court issued opinions in only five patent law cases in the 1950s (including cases from prior to the issuance of the Patent Act),<sup>19</sup> and, although this number ticked up to sixteen cases in the 1960s,<sup>20</sup> the Court continued at a relatively plodding pace: with ten cases in the 1970s,<sup>21</sup> seven cases in the 1980s,<sup>22</sup> and eight cases in the 1990s.<sup>23</sup> But at the turn of the millennium, the Court's interest in patent law markedly increased. The Court has decided forty-one cases on substantive patent law issues since the year 2000,<sup>24</sup> and, in the current decade in particular, the Supreme Court's interest in patent law has reached a frenetic level. As of the October 2018 term, the Court has decided thirty-one patent cases in this decade alone,<sup>25</sup> far more than in any other decade since the 1940s. This sudden spike in patent law opinions is illustrated by the bar graph below:

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<sup>18</sup> See CHRISTOPHER BEAUCHAMP, *INVENTED BY LAW: ALEXANDER GRAHAM BELL AND THE PATENT THAT CHANGED AMERICA* 6 (2015) (“Patent practice has long labored under a reputation for inaccessibility, professional specialization, and narrowly fact-specific court rulings. All these factors have functioned to distance patent law from the historical mainstream.”); Peter K. Yu, *Teaching International Intellectual Property Law*, 52 ST. LOUIS U. L.J. 923, 924 (2008) (“Intellectual property law was in the backwater only a few decades ago.”).

<sup>19</sup> See *U.S. Gypsum Co. v. Nat’l Gypsum Co.*, 352 U.S. 457 (1957); *Sanford v. Kepner*, 344 U.S. 13 (1952); *Besser Mfg. v. United States*, 343 U.S. 444 (1952); *U.S. v. U.S. Gypsum*, 340 U.S. 76 (1950); *Graver Tank & Mfg. Co. v. Linde Air Prods.*, 339 U.S. 605 (1950).

<sup>20</sup> See Lisa Larrimore Ouellette, *Supreme Court Patent Cases*, WRITTEN DESCRIPTION, available at <https://writtendescription.blogspot.com/p/patents-scotus.html> (last visited Nov. 7, 2018) [<https://perma.cc/32Q2-K7EP>].

<sup>21</sup> See *id.*

<sup>22</sup> See *id.*

<sup>23</sup> See *id.*

<sup>24</sup> See cases cited *supra* notes 8–10.

<sup>25</sup> See *id.*

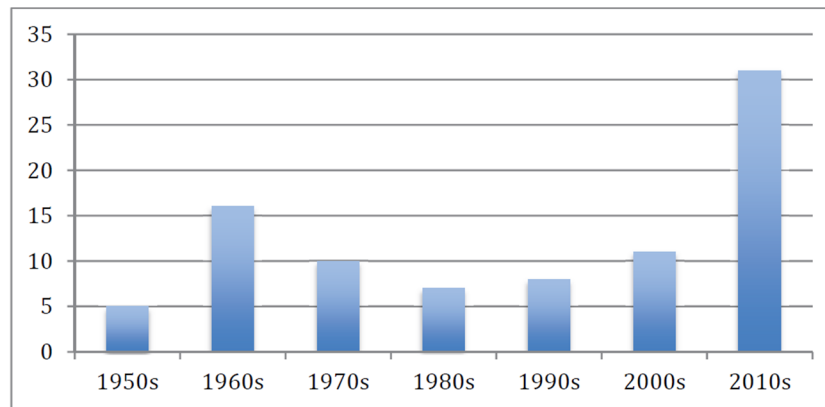


Figure 1: Number of Patent Law Cases Decided by the Supreme Court by Decade

Of the forty-one patent law opinions the Court has issued since 2000, all but three have been on certiorari to the U.S. Court of Appeals for the Federal Circuit.<sup>26</sup> The Supreme Court vacated or reversed the Federal Circuit in whole or in part in twenty-eight cases and affirmed the Federal Circuit ten times for a reversal rate of 74% in patent cases.<sup>27</sup> Various studies differ on how high the Federal Circuit's reversal rate is relative to other circuits. One study concluded that, from 1999 to 2008, the Federal Circuit had the highest reversal rate of any circuit court.<sup>28</sup> Another study looking at the years 2006-2016 concluded, “[o]ver the last ten terms, [the Federal Circuit’s] reversal rate has averaged around 70%, just slightly above the circuit median of 66.7%.”<sup>29</sup> An examination of the SCOTUSblog Stat Packs for the years 2010 to 2017 reveals that the Federal Circuit had the sixth highest reversal rate of the thirteen circuit courts of appeals in all cases (not just patent cases):

<sup>26</sup> See *id.*

<sup>27</sup> See *id.*

<sup>28</sup> See Roy E. Hofer, *Supreme Court Reversal Rates: Evaluating the Federal Courts of Appeals*, 2 *Landslide* 8, 9 (2010) (concluding that from the years 1999 to 2008, the Federal Circuit had a reversal rate of 83%, which was higher than the Ninth Circuit’s reversal rate of 80% and higher than the circuit median of 68%).

<sup>29</sup> Dyk, *supra* note 1 at 71–72.

Circuit	Affirmances	Reversals or Vacatures	Total Decided	Percentage of Reversals
Sixth	6	38	44	86.36%
Eleventh	6	29	35	82.86%
Third	7	24	31	77.42%
Ninth	29	96	126	76.19%
Eighth	7	20	27	74.07%
Federal	11	27	38	71.05%
Fifth	15	32	47	68.06%
Second	15	22	37	59.46%
DC	11	16	27	59.26%
Seventh	11	16	27	59.26%
Tenth	10	14	24	58.33%
Fourth	14	13	27	48.15%
First	8	7	15	46.67%

Figure 2: Reversal Rate by Circuit (2010-2017)<sup>30</sup>

Hence, the Federal Circuit had a slightly higher reversal rate in patent cases than it did in all cases, and this figure places the Federal Circuit sixth among all thirteen circuit courts of appeals with respect to overall reversal rate. But this should not be so, given that the Federal Circuit is a court established to have specialized expertise in the area of patent law while the Supreme Court is a generalist court. One would think that the Federal Circuit's specialized expertise in patent law would cause it to err less frequently than the regional circuits do.

Perhaps the Federal Circuit's unduly high reversal rate in patent cases is explained by the nationwide reach of its appellate jurisdiction over patent law issues.<sup>31</sup> One of the rationales for Supreme Court review is a split between the circuits,<sup>32</sup> and this is generally not possible in patent law cases decided by a single court of appeals.<sup>33</sup> Accordingly, the only basis for the Supreme Court to

<sup>30</sup> SCOTUSblog, "Stat Pack Archive," available at <http://www.scotusblog.com/reference/stat-pack/> (last visited Nov. 7, 2018) [<https://perma.cc/EX9P-QTXB>].

<sup>31</sup> See 28 U.S.C. § 1295.

<sup>32</sup> SUP. CT. R. 10(a).

<sup>33</sup> Dyk, *supra* note 1, at 75 ("Very few of the Federal Circuit cases reviewed by the Supreme Court involve circuit splits. By my estimation, only one over the last decade. And a study from 2013 found a total of only eight in the history of our court.") (citing

review a Federal Circuit patent law opinion is that the Federal Circuit “has decided an important question of federal law that has not been, but should be, settled by this Court, or has decided an important federal question in a way that conflicts with relevant decisions of this Court.”<sup>34</sup> In other words, it appears that more often than not the Supreme Court elects to review Federal Circuit patent law decisions because at least four members of the Court disagree with those decisions. This suspicion is borne out by the high reversal rate.<sup>35</sup>

### B. *Supreme Court Rationales for Overruling the Federal Circuit*

Why does the Supreme Court disagree with the Federal Circuit on patent law issues? Where does the Federal Circuit err in the Supreme Court’s view, and what rationales does the Supreme Court offer for overruling the Federal Circuit? Scholars and other Court-observers have noted four principle rationales, which are often interrelated, that the Supreme Court frequently offers when explaining why the Federal Circuit was wrong:

- 1) The Federal Circuit’s rule granted insufficient discretion to the district court;<sup>36</sup>

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Richlin Sec. Serv. Co. v. Chertoff, 553 U.S. 571 (2008)); Mark S. Davies, *Seeking Supreme Court Review in Patent Cases*, Law360 (Apr. 21, 2008), <https://www.law360.com/ip/articles/53599/seeking-supreme-court-review-in-patent-cases> [<https://perma.cc/VJ2C-WCEW>]; Ryan Stephenson, Note, *Federal Circuit Case Selection at the Supreme Court: An Empirical Analysis*, 102 GEO. L.J. 271, 275 (2013)). *But see* Shubha Ghosh, *A Court Divided*, 17 CHI.-KENT J. INTELL. PROP. 346, 346 (2018) (pointing to “the splits within the Federal Circuit, as revealed in many *en banc* decisions,” and arguing that “[t]his division is one reason why patent law has taken up a larger part of the Supreme Court’s docket recently”).

<sup>34</sup> SUP. CT. R. 10(c).

<sup>35</sup> *See* cases cited *supra* notes 8–10.

<sup>36</sup> *See, e.g.*, Daniel Kazhdan, *Beyond Patents: The Supreme Court’s Evolving Relationship with the Federal Circuit*, 94 J. PAT. OFF. SOC’Y 275, 282 (2012) (noting cases where the Supreme Court reversed the Federal Circuit for failing to grant sufficient deference to the district court or to the PTO); Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035, 1057–61 (2003) (Discussing the Federal Circuit’s refusal to defer to the district court in claim construction and obviousness determinations and the Supreme Court’s rejection of that approach); *cf.* Timothy R. Holbrook, *The Federal Circuit’s Acquiescence(?)*, 66 AM. U. L. REV. 1061, 1061 (2017) (observing that in the early years of the Federal Circuit, “the Federal Circuit generally refused to defer to the USPTO in a manner inconsistent with administrative law principles”).

- 2) The Federal Circuit imposed a rigid, inflexible rule where a flexible standard would be more appropriate;<sup>37</sup>
- 3) The Federal Circuit improperly created a special rule for patent law, rather than relying on general legal frameworks or principles of federal law;<sup>38</sup> and/or

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<sup>37</sup> See, e.g., Ghosh, *supra* note 33, at 350 (“In the patent area, we witness the Court resorting to open ended standards as a counter to blunt rules.”); Dyk, *supra* note 1, at 80 (“Our court, in keeping with the legislative history of our statute, views our task as in part articulating clear rules; the Supreme Court on the other hand views clear rules as often suspect.”); Kazhdan, *supra* note 36, at 282 (“Scholars, practitioners, and even a number of Federal Circuit judges have pointed to the Supreme Court’s repeated criticism of the Federal Circuit for applying bright-line rules in patent cases instead of looking to more case-specific factors.”) (citing Peter Lee, *Patent Law and the Two Cultures*, 120 YALE L.J. 2, 42 (2010) (arguing that the Supreme Court is “push[ing] back against Federal Circuit formalism”); Rochelle C. Dreyfuss, *In Search of Institutional Identity: The Federal Circuit Comes of Age*, 23 BERKELEY TECH. L.J. 787, 808–14 (2008)); Rebecca S. Eisenberg, *The Supreme Court and the Federal Circuit: Visitation and Custody of Patent Law*, 106 MICH. L. REV. FIRST IMPRESSIONS 28, 33 (2007) (referring to “[t]he [Supreme] Court’s general admonitions to avoid the use of rigid and mandatory formulas”); Katherine E. White, *How the Supreme Court’s Decisions over the Last Decade Have Reshaped Federal Circuit Jurisprudence*, 35 N. KY. L. REV. 315, 324 (2008) (“[T]he Supreme Court prefers flexible rules over rigid ones”); Timothy R. Holbrook, *The Supreme Court’s Complicity in Federal Circuit Formalism*, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 1, 1–2 (2003) (“The Federal Circuit increasingly has articulated rules of law to promote certainty, at the expense of fairness.” Holbrook’s 2003 article argues that “the Supreme Court has expressly encouraged this approach,” but we have seen that in the year’s since 2003, the Court has reversed course and frequently reversed the Federal Circuit for imposing rigid rules, perhaps inspired by Professor Holbrook’s article!); Jay Dratler, Jr. *The Supreme Court and the Federal Circuit: A Case of Supervision by Generalists*, 5 AKRON INTELL. PROP. J. 185, 187 (2011) (“In virtually every case where [the Supreme Court has reversed the Federal Circuit], the High Court has rejected a narrow, formulaic rule proposed by the Federal Circuit and opted for something more general and flexible.”).

<sup>38</sup> See, e.g., Dyk, *supra* note 1 at 76 (“What is interesting, though, is that a significant proportion of the Supreme Court’s cases from our court involve reconciling our jurisprudence with jurisprudence in other areas. In other words, the Supreme Court thinks that part of its task is to bring to bear its generalist perspective on our specialty areas.”); Jeff Bleich & Josh Patashnik, *The Federal Circuit Under Fire*, S.F. Att’y, Fall 2014, at 40, 41–42, available at <https://m.mto.com/Templates/media/files/Reprints/Bleich%20%20Patashnik%20—%20Supreme%20Court%20Watch%20Fall%202014.pdf> [<https://perma.cc/B2SL-XYT2>] (“Is the Supreme Court too unsophisticated in patent law to appreciate the wise insights of expert Federal Circuit judges, or are those Federal Circuit judges too narrowly focused on patent law to appreciate the broader rules of jurisprudence, procedure, and statutory interpretation?”)

4) The Federal Circuit disregarded Supreme Court precedent.<sup>39</sup>

This author has examined the twenty-eight patent law cases decided since 2000 where the Supreme Court has vacated or reversed the Federal Circuit in order to quantify how often the Supreme Court relies on each of these rationales. This analysis is complicated to some degree by the fact that these rationales are often interrelated and overlapping. For example, in *Octane Fitness v. Icon Health & Fitness*, the Court held that the Federal Circuit used an incorrect test for determining whether a case is “exceptional” under 35 U.S.C. § 285, allowing for an award of attorney’s fees.<sup>40</sup> The Federal Circuit’s rule was that “[a] case may be deemed exceptional’ under § 285 only in two limited circumstances: ‘when there has been some material inappropriate conduct,’ or when the litigation is both ‘brought in subjective bad faith’ and ‘objectively baseless.’”<sup>41</sup> The Court rejected this rule based on all four rationales discussed above. The Court reasoned that “[t]he framework established by the Federal Circuit in *Brooks Furniture* is unduly rigid,” (Rationale 2) and that “it impermissibly encumbers the statutory grant of discretion to district courts” (Rationale 1).<sup>42</sup> Instead of creating a special rule for patent law, the

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<sup>39</sup> See, e.g., Ghosh, *supra* note 33, at 350 (“[T]he Supreme Court has recourse to common law judging, reverting to concepts of reasonableness and its own precedent (as opposed to those of the Federal Circuit) in order to bring light to the darkness.”); Holbrook, *supra* note 36, at 1061 (pointing to “the early years of the [Federal Circuit’s] existence where, in light of the Supreme Court’s absence from the field of patent law, the Federal Circuit generally ignored—if not overruled—Supreme Court precedent”); Dyk, *supra* note 1, at 82 (noting with respect to patent subject matter eligibility that “[s]ome of the most significant patent jurisprudence is not the product of a detailed statute but of Supreme Court decisions that have created extra-statutory requirements for patentability. . . Thus, older Supreme Court cases remain highly relevant in interpreting the doctrines”); White, *supra* note 37, at 324 (observing that the Supreme Court has made clear that the Federal Circuit should “follow Supreme Court precedent first before resorting to creating new Federal Circuit law”); Rochelle Cooper Dreyfuss, *What the Federal Circuit Can Learn from the Supreme Court—and Vice Versa*, 59 AM. U. L. REV. 787, 804 (2010) (“We will have to see whether the Federal Circuit made the issue of its authority as a specialized court to stray from Supreme Court precedents clear enough for the Supreme Court to consider the problem.”).

<sup>40</sup> *Octane Fitness v. Icon Health & Fitness*, 134 S. Ct. 1749, 1752–53 (2014).

<sup>41</sup> *Id.* at 1752 (quoting and reversing *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378 (2005)).

<sup>42</sup> *Id.* at 1755.

Federal Circuit should have awarded attorney's fees based on flexible, equitable standards used by the courts in other areas of law, such as copyright law (Rationale 3): "As in the comparable context of the Copyright Act, 'there is no precise rule or formula for making these determinations,' but instead equitable discretion should be exercised 'in light of the considerations we have identified.'"<sup>43</sup> This approach was mandated by Supreme Court precedent in these other areas of law that the Federal Circuit had failed to apply (Rationale 4).<sup>44</sup> The Federal Circuit had further disregarded Supreme Court precedent that had held that "the addition of the phrase 'exceptional case' to § 285 was 'for purposes of clarification only'" and did not overrule years of precedent to create a rigid standard unique to patent law to cabin the discretion of the district court (Rationales 1, 2, 3, 4).<sup>45</sup> In place of the Federal Circuit's rule, "[d]istrict courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances."<sup>46</sup> Hence, the rationales are often interrelated and overlapping. The reader is therefore advised that the counts below do not indicate the total number of cases in which the Court has relied *exclusively* on one of the four rationales. Rather, these are the number of cases in which the Court has relied on at least the rationale in question, and perhaps on other of the rationales as well.

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<sup>43</sup> *Id.* at 1756 (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994)).

<sup>44</sup> *Id.* (citing *Fogerty*, 510 U.S. at 534).

<sup>45</sup> *Id.* at 1753 (citing *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 653, n. 8 (1983)).

<sup>46</sup> *Id.* at 1756.



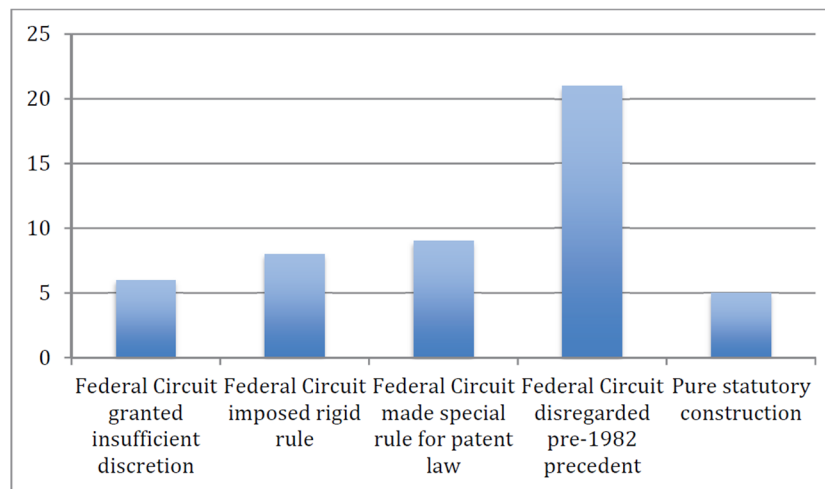


Figure 3: Supreme Court Rationales for Overruling the Federal Circuit in Patent Cases (Since 2000)

Close analysis of the twenty-eight Supreme Court opinions since 2000 vacating or reversing the Federal Circuit on patent law issues reveals that the most frequent rationale given by the Court for reversing the Federal Circuit is that the court of appeals has disregarded its precedent from before the 1982 creation of the Federal Circuit. The Supreme Court has relied on this rationale in twenty-one of the twenty-eight opinions.<sup>47</sup> By comparison, the Supreme Court has corrected the Federal Circuit for failing to grant sufficient discretion to the district court in six cases.<sup>48</sup> The Court has faulted the Federal Circuit for creating a rigid, inflexible rule in eight cases.<sup>49</sup> And the Court has overruled the Federal Circuit for creating a special rule for patent law in nine cases.<sup>50</sup> Five of the twenty-eight opinions involved pure statutory construction and relied on none of these rationales.<sup>51</sup> The bar graph above illustrates the relative number of cases in which the Court has relied on each of these rationales in the twenty-eight cases.

<sup>47</sup> See *infra* Section I.B.4 for discussion and citations.

<sup>48</sup> See *infra* Section I.B.1 for discussion and citations.

<sup>49</sup> See *infra* Section I.B.2 for discussion and citations.

<sup>50</sup> See *infra* Section I.B.3 for discussion and citations.

<sup>51</sup> See *infra* Section I.B.4 for discussion and citations.

1. Cases in Which the Supreme Court Overruled the Federal Circuit for Granting Insufficient Discretion to the District Court

Several commentators have observed a pattern of the Supreme Court overruling the Federal Circuit when the Federal Circuit fails to grant sufficient discretion to the district court.<sup>52</sup> In fact, the Court has reversed the Federal Circuit on this basis in only six of the twenty-eight cases in this study.<sup>53</sup>

It is natural that this issue would not arise with tremendous frequency because it is most often implicated in cases involving the standard of appellate review under a statute appearing to grant discretion to the district court, and not all cases involve such

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<sup>52</sup> See, e.g., Daniel Kazhdan, *Beyond Patents: The Supreme Court's Evolving Relationship with the Federal Circuit*, 94 J. PAT. OFF. SOC'Y 275, 282 (2012) (noting cases where the Supreme Court reversed the Federal Circuit for failing to grant sufficient deference to the district court or to the PTO); Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035, 1057–61 (2003) (discussing the Federal Circuit's refusal to defer to the district court in claim construction and obviousness determinations and the Supreme Court's rejection of that approach); cf. Timothy R. Holbrook, *The Federal Circuit's Acquiescence(?)*, 66 AM. U. L. REV. 1061, 1061 (2017) (observing that in the early years of the Federal Circuit, "the Federal Circuit generally refused to defer to the USPTO in a manner inconsistent with administrative law principles").

<sup>53</sup> See *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 394 (2006) (The Federal Circuit erred in part because "the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts."); *KSR Int'l. Co. v. Teleflex, Inc.*, 550 U.S. 398, 428 (2007) ("Rigid preventive rules [with respect to the non-obviousness determination] that deny factfinders recourse to common sense, however, are neither necessary under our case law nor consistent with it."); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) ("The framework established by the Federal Circuit [for determining whether a case is exceptional under the Patent Act's fee shifting provision] . . . is unduly rigid, and it impermissibly encumbers the statutory grant of discretion to district courts."); *Highmark Inc. v. Allcare Health Mgmt. Sys.*, 134 S. Ct. 1744, 1749 (2014) ("We therefore hold that an appellate court should apply an abuse-of-discretion standard in reviewing all aspects of a district court's § 285 determination [of whether a case is 'exceptional' and attorney fees should be awarded]"); *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 843 (2015) (holding that the court of appeals must apply a deferential "clear error" standard in reviewing factual determinations underlying district court claim constructions); *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016) (holding that the district court's determination of whether to award enhanced damages for willful infringement must be reviewed for abuse of discretion).

matters. Indeed, this was the issue in four of the six cases in this category. In a pair of related cases, *Octane Fitness* and *Highmark v. Allcare Health Management Systems*, the Court held, respectively: (1) that the Federal Circuit’s rule for determining that a case was “exceptional” under the Patent Act’s fee shifting statute was unduly rigid in a way that failed to give sufficient discretion to the district court,<sup>54</sup> and (2) that the Federal Circuit must review such “exceptional case” determinations for abuse of discretion.<sup>55</sup> In these cases the Court was interpreting Section 285 of the Patent Act,<sup>56</sup> which provides, “[t]he [district] court in exceptional cases may award reasonable attorney fees to the prevailing party.”<sup>57</sup> Similarly, in *Halo Electronics v. Pulse Electronics*, the Court interpreted Section 284 of the Patent Act to decide that the Federal Circuit granted insufficient deference to the district court in reviewing determinations as to whether treble damages should be awarded for willful infringement.<sup>58</sup> The Court concluded that the Federal Circuit must apply an abuse of discretion standard in reviewing such determinations because “Section 284 gives district courts discretion in meting out enhanced damages.”<sup>59</sup>

The *frequency* with which the Court relies on this rationale is perhaps overstated because it was invoked in three fundamentally important cases: *eBay v. MercExchange*, *KSR v. Teleflex*, and *Teva v. Sandoz*. In *eBay*, the Court rejected the Federal Circuit’s “general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.”<sup>60</sup> This was also a case involving a statutory grant of discretion to the district court, Section 283 of the Patent Act, which the Court emphasized “expressly provides that injunctions ‘may’ issue ‘in accordance with the principles of equity.’”<sup>61</sup> The Supreme Court rejected the Federal Circuit’s general rule that an injunction must issue against

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<sup>54</sup> *Octane Fitness*, 134 S. Ct. at 1755.

<sup>55</sup> *Highmark*, 134 S. Ct. at 1749.

<sup>56</sup> *Octane Fitness*, 134 S. Ct. at 1753.

<sup>57</sup> 35 U.S.C. § 285 (emphasis added).

<sup>58</sup> *Halo Electronics*, 136 S. Ct. at 1934.

<sup>59</sup> *Id.* at 1934 (discussing 35 U.S.C. § 284, which provides, in pertinent part, “the court may increase the damages up to three times the amount found or assessed.” (emphasis added)).

<sup>60</sup> *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 394 (2006).

<sup>61</sup> *Id.* at 392 (quoting 35 U.S.C. § 283).

patent infringement because “the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district court.”<sup>62</sup> The *eBay* decision had a big impact on patent litigation,<sup>63</sup> with district courts granting injunctions much less frequently than before and routinely denying injunctions to non-practicing entities.<sup>64</sup>

Two other fundamental decisions in which the Supreme Court reversed the Federal Circuit for its failure to grant sufficient discretion to the district court were *KSR* and *Teva*. In *KSR*, the Court altered the patent litigation landscape by liberalizing the Federal Circuit’s restrictive test for determining whether a patent was invalid for obviousness. The Court rejected the Federal Circuit’s rule in part because it was a “[r]igid preventative rule[] that den[ied] factfinders recourse to common sense” and other chains of reasoning.<sup>65</sup>

And in *Teva* the Court rejected the Federal Circuit’s rule that all aspects of district court claim construction be reviewed *de novo*, holding instead that factual determinations underlying claim construction rulings be reviewed for clear error.<sup>66</sup> The Court reasoned that “clear error review is ‘particularly important’ where patent law is at issue because patent law ‘is a field where so much depends upon familiarity with specific problems and principles not

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<sup>62</sup> *Id.* at 394.

<sup>63</sup> See, e.g., Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1, 8 (2012) (“The Supreme Court’s 2006 decision in *eBay* represented a sea change in patent litigation.”); Christopher B. Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, 101 IOWA L. REV. 1949, 1949 (2016) (“The Supreme Court’s 2006 decision in *eBay v. MercExchange* is widely regarded as one of the most important patent law rulings of the past decade.”).

<sup>64</sup> See, e.g., Chien & Lemley, *supra* note 63, at 9–10 (finding that “courts have granted about 75% of requests for injunctions, down from an estimated 95% pre-*eBay*” and that courts denied contested injunctions to non-practicing entities about 90% of the time); Seaman, *supra* note 63, at 1983, 1988 (finding that the injunction grant rate decreased to 72–75%, “a decline from the state of play before *eBay*, when injunctions were granted to prevailing patentees in almost all cases,” and that non-practicing entities “rarely obtained a permanent injunction after prevailing on liability”).

<sup>65</sup> *KSR Int’l. Co. v. Teleflex, Inc.*, 550 U.S. 398, 428 (2007).

<sup>66</sup> *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 843 (2015).

usually contained in the general storehouse of knowledge and experience.”<sup>67</sup>

Accordingly, the Supreme Court stands ready to correct the Federal Circuit when it fails to grant sufficient discretion to the district court and has done so in several fundamentally important cases. However, the Court has only cited this rationale in six of the twenty-eight cases since 2000 in which it reversed or vacated the Federal Circuit on patent law issues.<sup>68</sup>

## 2. Cases in Which the Supreme Court Overruled the Federal Circuit for Imposing a Rigid Rule

Scholars have noted a pattern of the Supreme Court rebuking the Federal Circuit for creating rigid rules where a flexible standard would be more appropriate.<sup>69</sup> This reasoning often goes hand-in-hand with Rationale 1, the Federal Circuit’s failure to grant sufficient discretion to the district court, because the Federal Circuit’s inflexible rule improperly cabins the discretion of the district court. Specifically, the Supreme Court has cited Rationales 1 and 2 together in at least four cases, which are discussed in the

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<sup>67</sup> *Id.* at 838 (quoting *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 610 (1950)).

<sup>68</sup> *See eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 394 (2006) (The Federal Circuit erred in part because “the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts.”); *KSR Int’l. Co.*, 550 U.S. at 428 (“Rigid preventive rules [with respect to the non-obviousness determination] that deny factfinders recourse to common sense, however, are neither necessary under our case law nor consistent with it.”); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) (“The framework established by the Federal Circuit [for determining whether a case is exceptional under the Patent Act’s fee shifting provision] . . . is unduly rigid, and it impermissibly encumbers the statutory grant of discretion to district courts.”); *Highmark Inc. v. Allcare Health Mgmt. Sys.*, 134 S. Ct. 1744, 1749 (2014) (“We therefore hold that an appellate court should apply an abuse-of-discretion standard in reviewing all aspects of a district court’s § 285 determination [of whether a case is ‘exceptional’ and attorney fees should be awarded]”); *Teva Pharms. USA, Inc.*, 135 S. Ct. at 843 (holding that the court of appeals must apply a deferential “clear error” standard in reviewing factual determinations underlying district court claim constructions); *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016) (holding that the district court’s determination of whether to award enhanced damages for willful infringement must be reviewed for abuse of discretion).

<sup>69</sup> *See* sources cited *supra* note 37.

previous section.<sup>70</sup> But the Court has invoked Rationale 2 in at least four additional cases for a total of eight such cases since 2000.<sup>71</sup>

In addition to *KSR* and *eBay*, discussed above,<sup>72</sup> this category includes several additional fundamental cases that have been discussed extensively in the scholarly literature. In *Festo v. Shoketsu Kinzoku Kogyo Kabushiki*, the Court addressed the doctrine of prosecution history estoppel. This doctrine provides that when a patent applicant “responds to [a] rejection by narrowing his claims, this prosecution history estops him from later arguing that the subject matter covered by the original, broader claim was nothing more than an equivalent.”<sup>73</sup> The Federal Circuit had created an inflexible rule that, “by narrowing a claim to obtain a patent, the patentee surrenders all equivalents to the amended claim element.”<sup>74</sup> The Court rejected this “*per se* rule,” holding that, even when the patent holder has made a narrowing

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<sup>70</sup> See *Halo Elecs., Inc.*, 136 S. Ct. at 1935 (“Section 284 permits district courts to exercise their discretion in a manner free from the inelastic constraints of the *Seagate* test.”); *Octane Fitness, LLC*, 134 S. Ct. at 1758 (“The framework established by the Federal Circuit in *Brooks Furniture* is unduly rigid, and it impermissibly encumbers the statutory grant of discretion to the district courts.”); *KSR Int’l. Co.*, 550 U.S. at 428 (“Rigid preventative rules that deny factfinders recourse to common sense, however, are neither necessary under our case law nor consistent with it.”); *eBay Inc.*, 547 U.S. at 394 (the Federal Circuit erred in creating a “general rule . . . that a permanent injunction will issue once infringement and validity have been adjudged” in part because “the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts.”).

<sup>71</sup> See *Mayo* 132 S. Ct. at 1303 (noting that the Federal Circuit’s machine or transformation test is an important and useful clue to patentability, but “we have neither said nor implied that the test trumps the ‘law of nature’ exclusion.”); *Illinois Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 43 (2006) (holding that tying arrangements involving patented products should be assessed for antitrust violation under a flexible rule of reason standard rather than under a *per se* prohibition); *Merck KGaA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193, 206 (2005) (There is no “categorical rule” that the Patent Act’s safe harbor provision allowing for experimental use related to the development and submission of information to the Food and Drug Administration excludes experimentation on drugs or use of compounds that are never submitted to the FDA); *Festo*, 535 U.S. at 1840–41 (rejecting the Federal Circuit’s “categorical bar” on the application of the doctrine of equivalents in cases where patentees narrowed their claims during patent prosecution).

<sup>72</sup> See *supra* Section I.B.1.

<sup>73</sup> *Festo*, 535 U.S. at 727.

<sup>74</sup> *Id.*

amendment, the court must examine the subject matter surrendered before determining whether the accused subject matter infringes the amended claim.<sup>75</sup> The Court stated that it had “consistently applied the doctrine in a flexible way” and rejected “imposing a complete bar that resorts to the very literalism the equivalents rule is designed to overcome.”<sup>76</sup>

Another important case in this category is *Mayo v. Prometheus*, in which the Supreme Court addressed the test for patent eligible subject matter.<sup>77</sup> The Court had previously held, in *Bilski v. Kappos*, that the Federal Circuit had incorrectly decided that the exclusive test for determining the patent eligibility of a process was whether the claimed invention was tied to a particular machine or resulted in the transformation of matter.<sup>78</sup> The Court stated that, while the “machine-or-transformation test” is a “useful and important clue,” the Federal Circuit erred in applying it rigidly as “the sole test for deciding whether an invention is a patent-eligible ‘process.’”<sup>79</sup>

In *Mayo*, the Court reversed the Federal Circuit for *again* rigidly applying this machine-or-transformation test to decide that a method for calibrating drug dosage was patent eligible.<sup>80</sup> The Federal Circuit had held that, merely because the administration of drugs to a patient resulted in the transformation of blood taken from the patient’s body, there was a “transformation of matter,” and the claimed method was therefore patent eligible under the machine-or-transformation test.<sup>81</sup> The Court rejected this unyielding application of the “machine-or-transformation” test, holding that, “in stating that the ‘machine-or-transformation’ test is an ‘important and useful clue’ to patentability, we have neither said nor implied that the test trumps the ‘law of nature’

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<sup>75</sup> *Id.* at 1840.

<sup>76</sup> *Id.*

<sup>77</sup> *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012).

<sup>78</sup> *Bilski v. Kappos*, 561 U.S. 593, 603 (2010). Despite correcting the Federal Circuit’s rule, the *Bilski* case resulted in an affirmance by the Supreme Court, and is therefore not included in the twenty-eight cases that are the particular subject of this study of why the Supreme Court vacates or reverses the Federal Circuit.

<sup>79</sup> *Id.* at 604.

<sup>80</sup> *Mayo*, 132 S. Ct. at 1296.

<sup>81</sup> *Id.* at 1296.

exclusion.”<sup>82</sup> Once again, the Supreme Court faulted the Federal Circuit for doggedly applying a hard rule rather than flexible standards.

This group of cases, *Festo*, *Mayo*, *Bilski*, *KSR*, and *eBay*, were widely discussed in patent scholarship because they worked fundamental changes in the law.<sup>83</sup> Nonetheless, the reasoning they all share – that the Federal Circuit erred by applying an inflexible rule rather than a general standard – has only been relied upon by the Supreme Court in eight of the twenty-eight patent cases since 2000 in which it has vacated or reversed the Federal Circuit.<sup>84</sup>

### 3. Cases in Which the Supreme Court Overruled the Federal Circuit for Creating a Special Rule for Patent Law

A third pattern noted by scholars is that the Supreme Court tends to overrule the Federal Circuit when it creates a special rule

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<sup>82</sup> *Id.* at 1303 (quoting *Bilski*, 561 U.S. at 602–04) (emphasis in original).

<sup>83</sup> Westlaw searches of secondary sources citing to these cases reveal that *Festo* has been cited 1,431 times, *Mayo* 1,231 times, *Bilski* 1,734 times, *KSR* 2,018 times, and *eBay* 3,346 times. (search last performed, Aug. 18, 2018).

<sup>84</sup> See *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016) (“Section 284 permits district courts to exercise their discretion in a manner free from the inelastic constraints of the *Seagate* test.”); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) (“The framework established by the Federal Circuit in *Brooks Furniture* is unduly rigid, and it impermissibly encumbers the statutory grant of discretion to the district courts.”); *KSR Int’l. Co. v. Teleflex, Inc.*, 550 U.S. 398, 428 (2007) (“Rigid preventative rules that deny factfinders recourse to common sense, however, are neither necessary under our case law nor consistent with it.”); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 394 (2006) (the Federal Circuit erred in creating a “general rule . . . that a permanent injunction will issue once infringement and validity have been adjudged” in part because “the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts.”); *Mayo*, 132 S. Ct. at 1303 (noting that the Federal Circuit’s machine or transformation test is an important and useful clue to patentability, but “we have neither said nor implied that the test trumps the ‘law of nature’ exclusion.”); *Illinois Tool Works, Inc. v. Indep. Ink, Inc.* 547 U.S. 28, 43 (2006) (holding that tying arrangements involving patented products should be assessed for antitrust violation under a flexible rule of reason standard rather than under a *per se* prohibition); *Merck KGaA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193, 208 (2005) (There is no “categorical rule” that the Patent Act’s safe harbor provision allowing for experimental use related to the development and submission of information to the Food and Drug Administration excludes experimentation on drugs or use of compounds that are never submitted to the FDA); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 737–40 (2002) (rejecting the Federal Circuit’s “categorical bar” on the application of the doctrine of equivalents in cases where patentees narrowed their claims during patent prosecution).



for patent law, rather than applying general equitable and legal principles.<sup>85</sup> The Supreme Court has cited this rationale as a basis for reversing or vacating the Federal Circuit in nine out of twenty-eight cases since 2000, making it the second most frequently cited rationale.<sup>86</sup> In four of the cases this rationale is relied upon in connection with Rationale 1 (that the Federal Circuit failed to grant sufficient discretion to the district court) and/or Rationale 2 (that the Federal Circuit created an inflexible rule); this is because the rigid rule that failed to grant discretion to the district court was also a special rule the Federal Circuit created for patent law.<sup>87</sup> However, this rationale was cited in five additional cases as well.<sup>88</sup>

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<sup>85</sup> See *supra* note 38.

<sup>86</sup> See *Halo*, 136 S. Ct at 1933 (one problem with the Federal Circuit’s intent test for willful infringement is that “culpability is generally measured against the knowledge of the actor at the time of the challenged conduct”); *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 843 (2015) (holding that the Federal Circuit’s refusal to give deference to factual determinations underlying claim construction violated the generally applicable FED. R. CIV. P. 52(a)(6)); *Octane Fitness, LLC*, 134 S. Ct. at 1758 (rejecting the Federal Circuit’s rule that litigants establish entitlement to fees by clear and convincing evidence because “[w]e have not interpreted comparable fee-shifting statutes to require proof of entitlement to fees by clear and convincing evidence”); *eBay Inc.*, 547 U.S. at 394 (the four factor test for granting permanent injunctions in other areas of law “apply with equal force to disputes arising under the Patent Act”); *Lexmark Int’l, Inc. v. Impression Prod., Inc.*, 816 F.3d 721, 736 (Fed. Cir. 2016) (the Federal Circuit’s rule against international patent exhaustion violated general common law principles against restraints on alienation and improperly differentiated copyright exhaustion from patent exhaustion); *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 967 (2017) (the treatment of laches in a patent case should not be different from its treatment under the Copyright Act or depart from “this Court’s many reiterations of the general rule”); *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1931 (2015) (holding that the defendant’s belief that a patent is invalid is not a defense to inducement of infringement because in tort law and criminal law an act can sometimes be intentional even if the actor lacks knowledge that the act is illegal); *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 571 U.S. 191, 203 (2014) (the Federal Circuit was incorrect to put the burden of proof of infringement on the declaratory judgment plaintiff because it violated the general application of the Declaratory Judgment Act in non-patent cases); *Holmes Group, Inc. v. Vornado Air Circulation Sys.*, 535 U.S. 826, 834 (2002) (rejecting the notion that the term “arising under” in the statute granting the Federal Circuit exclusive jurisdiction over patent appeals should be interpreted differently than that phrase is interpreted in other jurisdictional statutes).

<sup>87</sup> See *Halo*, 136 S. Ct at 1933 (one problem with the Federal Circuit’s intent test for willful infringement is that “culpability is generally measured against the knowledge of the actor at the time of the challenged conduct”); *Teva Pharms. USA, Inc.*, 135 S. Ct. at 843 (holding that the Federal Circuit’s refusal to give deference to factual determinations underlying claim construction violated the generally applicable FED. R. CIV. P. 52(a)(6));

An important case applying this rationale is the Supreme Court's recent patent exhaustion opinion, *Impression Products v. Lexmark*. One of the holdings in *Impression Products* is that the sale of a patented product overseas exhausts all U.S. patent rights in that product.<sup>89</sup> In rejecting the Federal Circuit's rule to the contrary, the Supreme Court reasoned that applying patent exhaustion to foreign sales was dictated by the common law's "antipathy toward restraints on alienation."<sup>90</sup> The Court had already decided that U.S. copyright exhaustion was triggered by a foreign sale<sup>91</sup> and decided that the same general common law principle applies to the Patent Act. Like copyright exhaustion, "[p]atent exhaustion, too, has its roots in the antipathy toward restraints on alienation[,] . . . and nothing in the text or history of the Patent Act shows that Congress intended to confine that borderless common law principle to domestic sales."<sup>92</sup> Rather, "differentiating the patent exhaustion and copyright first sale doctrines would make little theoretical or practical sense: 'The two

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*Octane Fitness, LLC*, 134 S. Ct. at 1758 (rejecting the Federal Circuit's rule that litigants establish entitlement to fees by clear and convincing evidence because "[w]e have not interpreted comparable fee-shifting statutes to require proof of entitlement to fees by clear and convincing evidence"); *eBay Inc.*, 547 U.S. at 394 (the four factor test for granting permanent injunctions in other areas of law "apply with equal force to disputes arising under the Patent Act").

<sup>88</sup> See *Lexmark Int'l, Inc.*, 816 F.3d at 736 (the Federal Circuit's rule against international patent exhaustion violated general common law principles against restraints on alienation and improperly differentiated copyright exhaustion from patent exhaustion); *SCA Hygiene Prods. Aktiebolag*, 137 S. Ct. 954, 967 (2017) (the treatment of laches in a patent case should not be different from its treatment under the Copyright Act or depart from "this Court's many reiterations of the general rule"); *Commil USA, LLC*, 135 S. Ct. at 1931 (holding that the defendant's belief that a patent is invalid is not a defense to inducement of infringement because in tort law and criminal law an act can sometimes be intentional even if the actor lacks knowledge that the act is illegal); *Medtronic, Inc.*, 571 U.S. at 203 (the Federal Circuit was incorrect to put the burden of proof of infringement on the declaratory judgment plaintiff because it violated the general application of the Declaratory Judgment Act in non-patent cases); *Holmes Group*, 535 U.S. at 834 (rejecting the notion that the term "arising under" in the statute granting the Federal Circuit exclusive jurisdiction over patent appeals should be interpreted differently than that phrase is interpreted in other jurisdictional statutes).

<sup>89</sup> *Impression Prods. Inc. v. Lexmark Intern., Inc.*, 137 S. Ct. 1523, 1536 (2017).

<sup>90</sup> *Id.* at 1536.

<sup>91</sup> *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. 519, 525 (2013).

<sup>92</sup> *Lexmark Int'l, Inc.*, 816 F.3d at 736.

share a ‘strong similarity . . . and identity of purpose.’”<sup>93</sup> Hence, while the Federal Circuit creates special rules for patent law, the Supreme Court views the law as “borderless,” such that patent law should comply with general legal principles, whether they come from the common law or other areas of federal law, like the Copyright Act.

Another example of this rationale appears in *Commil, USA v. Cisco Systems*, in which the Court held that a defendant’s belief that a patent was invalid did not constitute a defense to inducement of infringement.<sup>94</sup> The Federal Circuit had held that “evidence of an accused infringer’s good-faith belief of invalidity may negate the requisite intent for induced infringement.”<sup>95</sup> One of the reasons the Supreme Court concluded this was wrong was because it was contrary to the meaning of intent in tort law and criminal law. The Court reasoned that “[o]ur law is . . . no stranger to the possibility that an act may be ‘intentional’ for purposes of civil liability, even if the actor lacked actual knowledge that her conduct violated the law.”<sup>96</sup> For example, in the context of tortious interference with contract, “[w]hile the invalidity of a contract is a defense to tortious interference, belief in invalidity is irrelevant.”<sup>97</sup> And in criminal law, “[t]he general rule that ignorance of the law or a mistake of law is no defense to criminal prosecution is deeply rooted in the American legal system.”<sup>98</sup> The Federal Circuit had again erred by creating a special rule for intent in the context of patent law, rather than looking to general principles of law in other subject areas.

As a substantive matter, there are fundamentally important patent cases since 2000 in which the Supreme Court has relied on Rationales 1, 2, or 3 to overrule the Federal Circuit. From a strictly

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<sup>93</sup> *Id.* at 1536 (quoting *Bauer & Cie v. O’Donnell*, 229 U.S. 1, 13 (1913)).

<sup>94</sup> *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1931 (2015)

<sup>95</sup> *Commil USA, LLC*, 720 F.3d 1361, 1368 (Fed. Cir. 2013) (quoted in and vacated by *Commil USA, LLC*, 135 S. Ct. at 1925).

<sup>96</sup> *Id.* at 1930 (quoting *Jerman v. Carlisle, McNellie, Rini, Kramer & Ulrich, L.P.A.*, 559 U.S. 573, 582–83 (2010)) (ellipses in original).

<sup>97</sup> *Id.* (citing, *inter alia*, *RESTATEMENT (SECOND) OF TORTS* § 8A, Comment *i* (1979); *W. KEETON, D. DOBBS, R. KEETON, & D. OWEN, PROSSER AND KEETON ON LAW OF TORTS* 110 (5<sup>th</sup> ed. 1984)).

<sup>98</sup> *Id.* (quoting *Cheek v. United States*, 498 U.S. 192, 199 (1991)).

numerical standpoint, however, by far the most common reason for the Supreme Court overruling the Federal Circuit is Rationale 4 – that the Federal Circuit disregarded Supreme Court precedent from prior to that court’s 1982 creation.<sup>99</sup>

#### 4. Cases in Which the Supreme Court Overruled the Federal Circuit for Disregarding or Cabining Supreme Court Precedent from Before 1982

Despite the fact that patent law is theoretically a creature of statutory law, there are relatively few cases since 2000 in which the Court has relied purely on statutory construction to overrule the Federal Circuit.<sup>100</sup> This is further evidence of Craig Allen Nard’s point that patent law is largely common law. Professor Nard writes:

[T]he patent code, much like the Sherman Act, is a common law enabling statute, leaving ample room for courts to fill in the interstices or to create doctrine emanating solely from Article III’s

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<sup>99</sup> See *infra* Section I.B.4

<sup>100</sup> Of the twenty-eight patent cases vacating or reversing the Federal Circuit since 2000, only five cases did not rely on at least one of the four rationales discussed in this paper. Each of these other cases involved pure statutory interpretation without relying on the Federal Circuit’s failure to grant discretion to the district court, the improper creation of rigid rules or special rules for patent law, or the Federal Circuit’s disregard of Supreme Court precedent from prior to 1982. See *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018) (holding that under 35 U.S.C. § 318(a), the Patent Trial and Appeal Board must issue a final written decision addressing every patent claim challenged in an initial petition for inter parties review); *Sandoz Inc. v. Amgen Inc.*, 137 S. Ct. 1664, 1669 (2017) (holding that the requirement of the Biologics Price Competition and Innovation Act that a generic applicant provide the patent holder with its application and manufacturing information is not enforceable by an injunction under federal law; and that an applicant may provide notice of commercial marketing to the patent holder before, rather than after, the FDA licenses its biosimilar.); *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 737 (2017) (holding that a single component of a multicomponent invention cannot constitute “all or a substantial portion” of the components supplied from the United States for combination abroad such as to impose infringement liability under 35 U.S.C. § 271(f)(1)); *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429, 432 (2016) (holding that the “article of manufacture” as used in 35 U.S.C. § 289 governing damages for design patent infringement can be a component of a product even if consumers cannot purchase the component separately); *Caraco Pharm. Labs., Ltd. v. Novo Nordisk A/S*, 566 U.S. 399, 426 (2012) (holding that under 21 U.S.C. § 355, a generic pharmaceutical manufacturer may assert a counterclaim in an infringement suit seeking correction of the branded pharmaceutical’s inaccurate use code).

province. Indeed, the common law has been the dominant legal force in the development of U.S. patent law for over two hundred years.<sup>101</sup>

This certainly appears to be how the contemporary Supreme Court views patent law. Of the twenty-eight patent law opinions reversing or vacating the Federal Circuit since 2000, twenty-one do so by relying, at least in part, on Supreme Court precedent from prior to the 1982 creation of the Federal Circuit; and most of the cases rely, at least in part, on precedent from prior to the 1952 passage of the Patent Act.<sup>102</sup> These numbers do not come from a

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<sup>101</sup> Craig Allen Nard, *Legal Forms and the Common Law of Patents*, 90 B.U. L. REV. 51, 53 (2010).

<sup>102</sup> See *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2137 (2018) (relying on *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964)); *Impression Prods., v. Lexmark Int'l, Inc.*, 137 S. Ct. 1523, 1532–34, 1536 (2017) (relying on *United States v. Univis*, 316 U.S. 241 (1942); *United States v. Gen. Elec. Co.*, 272 U.S. 476, 489 (1926); *Boston Store of Chicago v. American Graphophone Co.*, 246 U.S. 8, 17–18 (1918); *Straus v. Victor Talking Machine Co.*, 243 U.S. 490, 501 (1917); *Motion Picture Patents v. Universal Film*, 243 U.S. 502, 506–07 (1917); *Bauer & Cie v. O'Donnel*, 229 U.S. 1, 13 (1913); *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659, 661 (1895); *Hobbie v. Jennison*, 149 U.S. 355, 362–63 (1893); *Bloomer v. McQuewan*, 14 How. 539 (1853)); *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017) (relying on *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957); *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 963 (2017) (relying on *Holmberg v. Armbrecht*, 327 U.S. 392, 395 (1946); *United States v. Mack*, 295 U.S. 480, 489 (1935); *Wehrman v. Conklin*, 155 U.S. 314, 326 (1894); *Cross v. Allen*, 141 U.S. 528, 537 (1891)); *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016) (rather than following the Federal Circuit's new test for willful infringement, "district courts are 'to be guided by[the] sound legal principles' developed over nearly two centuries of application and interpretation of the Patent Act") (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005) (referring, *inter alia* to *Christianburg Garment Co. v. Equal Emp. Comm'n*, 434 U.S. 412, 422 (1978); *Newman v. Piggie Park Enters., Inc.*, 390 U.S. 400, 402 (1968)); *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1928 (2015) ("Allowing this new defense would also undermine a presumption that is a 'common core of thought and truth' reflected in this Court's precedents for a century.") (quoting *Radio Corp. of Am. v. Radio Eng'g Labs., Inc.*, 293 U.S. 1, 8 (1934)); *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 837–38 (2015) (relying on *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 123 (1969); *Graver Tank & Mfg. Co. v. Linde Air Prods.*, 339 U.S. 605, 610 (1950); *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U.S. 898, 913 (2014) (relying on *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942); *Minerals Separation, Ltd. v. Hyde*, 242 U.S. 261, 270 (1916)); *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 572 U.S. 915, 924 (2014) (relying on *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526–27 (1972); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964); *Octane Fitness, LLC v. ICON Health &*

raw citation count of all cases cited by the Court in the relevant opinions. Rather, the author has considered those particular passages where the Supreme Court explains its reasoning to determine that the Federal Circuit erred. In these critical passages, the Court usually relies on its case law from prior to 1952.<sup>103</sup>

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*Fitness, Inc.*, 572 U.S. 545, 557 (2014) (reversing the Federal Circuit because it “abandoned that holistic, equitable approach” for determining whether a case is “exceptional” under 35 U.S.C. § 285 that had been applied by the lower courts “[f]or three decades after the [1952] enactment of § 285”) (internal citations omitted) (also relying on *Fogerty v. Fantasy, Inc.* 510 U.S. 517, 534 (1994); *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 653 n. 8 (1983); *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 571 U.S. 191, 198 (2014) (relying on *Imhaeuser v. Buerk*, 101 U.S. 647, 662 (1880); *Agawam Co. v. Jordan*, 7 Wall. 583, 609 (1869)); *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 591 (2013) (relying on *Funk Brothers Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 132 (1948); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 79–81 (2012) (relying on *Diamond v. Diehr*, 450 U.S. 175, 187 (1981); *Parker v. Flook*, 437 U.S. 584, 585–87 (1978)); *Quanta Comput., Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 628–29, 631 (2008) (relying on *United States v. Univis*, 316 U.S. 241 (1942); *Ethyl Gasoline Corp. v. United States*, 309 U.S. 436, 446 (1940); *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 455 (2007) (relying on *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972); *Brown v. Duchesne*, 60 U.S. 183 (1856)); *KSR Int’l. Co. v. Teleflex, Inc.*, 550 U.S. 398, 415–17 (2007) (relying on *Sakraida v. AG Pro, Inc.*, 425 U.S. 273, 282 (1976); *Anderson’s Black Rock v. Pavement Salvage Co.*, 396 U.S. 57, 62 (1969); *Graham v. John Deere Co.*, 382 U.S. 1, 12 (1966); *United States v. Adams*, 383 U.S. 39, 40 (1966); *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 152–53 (1950); *Hotchkiss v. Greenwood*, 52 U.S. 248 (1850)); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 130–32 (2007) (relying on *Altwater v. Freeman*, 319 U.S. 359, 364 (1943); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 392–93 (2006) (relying on *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932); *Dun v. Lumbermen’s Credit Ass’n.*, 209 U.S. 20, 23–24 (1908); *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 422–30 (1908)); *Illinois Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 42 (2006) (relying on *United States Steel Corp. v. Fortner Enters., Inc.*, 429 U.S. 610 (1977)); *Holmes Group, Inc. v. Vornado Air Circulation Sys.*, 535 U.S. 826, 831 (2002) (relying on *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 28 (1913)); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 738 (2002) (relying on *Hurlbut v. Schillinger*, 130 U.S. 456, 465 (1889); *Goodyear Dental Vulcanite Co. v. Davis*, 102 U.S. 222, 230 (1880)).

<sup>103</sup> In this regard this study is of a different nature than Professor Joe Miller’s important work on citation counts in recent Supreme Court intellectual property decisions. See Joseph Scott Miller, *Which Supreme Court Cases Influenced Recent Supreme Court IP Decisions? A Case Study*, 21 UCLA J. L. & TECH. 1 (2017). Professor Miller’s citation counts indicate that “[t]he Court’s recent IP cases cite more recent Supreme Court cases more often than they cite older Supreme Court cases . . . .” *Id.* at 20. However, Professor Miller has studied all of the cases cited in i.p. opinions, not just those cases substantively relied upon in those passages of patent law opinions where the Court is explaining its reasoning. *Id.* at 18 (“I developed the citation list for each case by reading the entire opinion(s) . . . treating all portions of the cited opinion as on par with the others.”). In

Analysis of a few representative cases will demonstrate the Supreme Court's methodology of correcting the Federal Circuit for failing to adhere to Supreme Court precedent from prior to 1952.

In *SCA Hygiene v. First Quality Baby Products*, the Court held that laches cannot be asserted as a defense against damages occurring within the Patent Act's six year limitations period.<sup>104</sup> The Patent Act has a somewhat peculiar statute of limitations in that it does not run forward from the date an infringement claim accrues. Rather, the statute imposes no time limit on when a claim for ongoing infringement may be brought, but bars recovery of damages occurring six years prior to the lawsuit: "Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action."<sup>105</sup> In 1992, the Federal Circuit established the rule that even damages occurring within that six-year period could be barred by the equitable doctrine of laches.<sup>106</sup>

The Supreme Court rejected the Federal Circuit's approach because it departed from "the well-established rule, often repeated by this Court, that laches cannot be invoked to bar a claim for damages incurred within a limitations period specified by Congress."<sup>107</sup> The Court then proceeded to rely on four Supreme Court opinions from prior to the passage of the 1952 Patent Act that held that there can be no laches defense to a claim brought within the statute of limitations: cases from 1946, 1935, 1894, and

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fact, when Professor Miller calculates an "authority score" for I.P. cases cited by the Supreme Court, the results indicate that older cases generally have a higher authority score. Of the cases with the top ten authority scores, only one was issued later than 1982. *Id.* at 30. Of the cases with the top thirty-two authority scores, only eight were issued later than 1982. *Id.*

<sup>104</sup> *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 959 (2017).

<sup>105</sup> 35 U.S.C. § 286 (1999).

<sup>106</sup> *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1030 (1992) (en banc), *reaff'd* by *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods.*, 807 F.3d 1311, 1322–24 (2015) (en banc), *vacated* by *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 967 n. 8 (2017).

<sup>107</sup> *SCA Hygiene Prods. Aktiebolag*, 137 S. Ct. at 963.

1891.<sup>108</sup> The Court chastised the Federal Circuit and the respondent for “dismiss[ing] the significance” of these Supreme Court opinions “because they were not made in patent cases.”<sup>109</sup> Relying again on Rationale 3 (that the Federal Circuit should not make special rules for patent law), the Court pointed out that “patent law is governed by the same common-law principles, methods of statutory interpretation, and procedural rules as other areas of civil litigation.”<sup>110</sup> Moreover, these cases could not be disregarded on the basis that they preceded the passage of the 1952 Patent Act. The Court held that “we are not convinced that Congress, in enacting § 282 of the Patent Act, departed from the general rule regarding the application of laches to damages suffered within the time for filing suit set out in a statute of limitations.”<sup>111</sup> Hence, as even the dissent in *SCA Hygiene* conceded, “the 1952 Patent Act was primarily intended to codify existing law.”<sup>112</sup> Accordingly, the Supreme Court has cautioned the Federal Circuit again and again that it should not disregard its precedent from prior to 1952.<sup>113</sup>

Another important example is *KSR v. Teleflex*, where the Supreme Court rejected the Federal Circuit’s test for determining whether a patent is invalid for obviousness under 35 U.S.C. § 103.<sup>114</sup> The Federal Circuit had established a rule called “the ‘teaching, suggestion, or motivation’ test (TSM test), under which a patent claim is only proved obvious if ‘some motivation or

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<sup>108</sup> *Id.* (relying on *Holmberg v. Armbrrecht*, 327 U.S. 392, 395 (1946) (“If Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter”); *United States v. Mack*, 295 U.S. 480, 489 (1935) (“Laches within the term of the statute of limitations is no defense at law”); *Wehrman v. Conklin*, 155 U.S. 314, 326 (1894) (“Though a good defense in equity, laches is no defense at law. If the plaintiff at law has brought his action within the period fixed by the statute of limitations, no court can deprive him of his right to proceed”); *Cross v. Allen*, 141 U.S. 528, 537 (1891) (“So long as the demands secured were not barred by the statute of limitations, there could be no laches in prosecuting a suit”)).

<sup>109</sup> *SCA Hygiene Prods. Aktiebolag*, 137 S. Ct. at 964.

<sup>110</sup> *Id.* at 964 (quoting *SCA Hygiene Prods. Aktiebolag*, 137 S. Ct. at 1333 (Hughes, J., dissenting)).

<sup>111</sup> *Id.* at 966.

<sup>112</sup> *Id.* at 968 (citing *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1929–30 (2016)).

<sup>113</sup> See sources cited *supra* note 102.

<sup>114</sup> *KSR Int’l. Co. v. Teleflex, Inc.*, 550 U.S. 398, 415–17 (2007).



suggestion to combine the prior art teachings' can be found in the prior art, the nature of the problem, or the knowledge of a person having ordinary skill in the art."<sup>115</sup> The Supreme Court rejected this rule as "unduly rigid" and because it failed to grant sufficient flexibility to the district court in making the obviousness determination (Rationales 1 and 2).<sup>116</sup>

In doing so, however, the Court also relied on the fact that, "[t]hroughout this Court's engagement with the question of obviousness, our cases have set forth an expansive and flexible approach inconsistent with the way the Court of Appeals applied the TSM test here."<sup>117</sup> The Court relied on its decision in *Graham v. John Deere Company*, which issued in 1966 and was the first Supreme Court opinion to interpret Section 103 of the new Patent Act.<sup>118</sup> But the Court also relied on its precedent from before the passage of the Patent Act, including the 1850 decision in *Hotchkiss v. Greenwood*, which issued more than one hundred years before the passage of the 1952 Act, and the 1950 decision in *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*<sup>119</sup> The Court explicitly stated that, despite the passage of the 1952 Act, "the principles laid down in *Graham* reaffirmed the 'functional approach' of *Hotchkiss*."<sup>120</sup> Hence, the first case interpreting the new statute did nothing more than to reaffirm the Court's approach established more than one hundred years before the statute was passed.

This is significant because one of the major innovations of the 1952 Patent Act was to explicitly create, for the first time, an "obviousness" requirement for patentability.<sup>121</sup> Judge Giles Rich, who helped to author the Patent Act and who was an original judge on the Federal Circuit, wrote in a 1966 law review article that,

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<sup>115</sup> *Id.* at 407 (quoting *Al-Site Corp. v. VSI Int'l, Inc.*, 174 F.3d 1308, 1323–24 (Fed. Cir. 1999)).

<sup>116</sup> *Id.* at 415, 421–22.

<sup>117</sup> *Id.* at 415.

<sup>118</sup> *Id.* at 415 (citing *Graham v. John Deere Co.*, 383 U.S. 1, 12 (1966)).

<sup>119</sup> *Id.* (citing *Hotchkiss v. Greenwood*, 52 U.S. 248, 248 (1850); *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 152–53 (1950)).

<sup>120</sup> *Id.*

<sup>121</sup> See Giles S. Rich, *The Vague Concept of 'Invention' as Replaced by Sec. 103 of the 1952 Patent Act*, 46 J. PAT. OFF. SOC'Y 855, 864 (1964).

prior to the 1952 Statute, the courts had developed a common law standard of “invention” which was inconsistent and unpredictable, a standard “which the courts pretended was being raised and lowered like an elevator as though it were something tangible.”<sup>122</sup> In Judge Rich’s opinion, this common law requirement was so unpredictable that it could not genuinely be called a “standard”:

You really have to be on the Supreme Court to find a ‘standard’ there because the only way it can work is this: if you [i.e., the Supreme Court] think the lower court was wrong in sustaining the patent, you proclaim that it applied too low a standard and reverse its decision, saying ‘That was not an ‘invention.’<sup>123</sup>

To support this damning criticism, Judge Rich cited to none other than *Great Atlantic & Pacific Tea Company*, one of the pre-1952 cases the Supreme Court in *KSR* faulted the Federal Circuit for disregarding.<sup>124</sup> In *Great Atlantic*, the Court found the patent-in-suit was invalid, reversing the decision of the Sixth Circuit because “a standard of invention appears to have been used that is less exacting than that required where a combination is made up entirely of old components.”<sup>125</sup> Moreover, as Judge Rich notes, the “invention” standard that he criticized as being unpredictable evolved out of the 1850 case, *Hotchkiss v. Greenwood*, the other pre-1952 case that the Supreme Court in *KSR* cites as continuing to define the non-obviousness requirement.<sup>126</sup> What derived from this case “was an injection into the law of what has ever since been called the ‘requirement for invention,’” which, according to Judge Rich, became a results-oriented, unpredictable non-standard.<sup>127</sup>

According to Judge Rich, the enactment of Section 103 of the Patent Act in 1952 was intended to replace the uncertain standard

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<sup>122</sup> *Id.* at 861.

<sup>123</sup> *Id.* (emphasis in original).

<sup>124</sup> *Id.* at 861 n.15 (citing *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147, 154 (1950)).

<sup>125</sup> *Great Atlantic*, 340 U.S. 147, 154.

<sup>126</sup> Rich, *supra* note 121 at 859–60 (discussing *Hotchkiss v. Greenwood*, 52 U.S. 248 (1851)).

<sup>127</sup> *Id.* at 860.

of “invention” with a more certain non-obviousness requirement<sup>128</sup>:

This is not a ‘standard of invention’ and it is not called a ‘requirement of invention.’ The presence or absence of ‘invention’ is not mentioned. The use of the term ‘invention’ was, in fact, carefully avoided with a view to making a fresh start, free of all the divergent court opinions and rhetorical pronouncements about ‘invention.’ And in doing that it was contemplated, as the House Report states, that ‘This section should have a stabilizing effect and minimize great departures which have appeared in some cases.’<sup>129</sup>

Judge Rich states that “[t]he addition of section 103 was stated in the House Report on the bill to be *one of the two major changes or innovations in the statute.*”<sup>130</sup> The new obviousness requirement would solve the “vice or inadequacy of the judge made requirement for ‘invention.’”<sup>131</sup>

And yet in *KSR*, in correcting the Federal Circuit’s application of the obviousness requirement, the Supreme Court returned to its “judge made,” pre-1952 precedent. The Court rejected the Federal Circuit’s stringent, rigid test for obviousness and reaffirmed “the functional approach of *Hotchkiss.*”<sup>132</sup> And the Court made plain that

[n]either the enactment of § 103 nor the analysis in *Graham* disturbed this Court’s earlier instructions concerning the need for caution in granting a patent based on the combination of elements found in the prior art. For over half a century, the Court has held that a “patent for a combination which only unites

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<sup>128</sup> *Id.* at 864–65.

<sup>129</sup> *Id.* (citing House Report No. 1923, 82<sup>nd</sup> Cong. 2<sup>nd</sup> Sess., to accompany H.R. 7794, pg. 5 and also stating that “[t]he writer speaks from personal knowledge as one of the drafters [of Section 103].”).

<sup>130</sup> *Id.* at 864 (emphasis in original).

<sup>131</sup> *Id.* at 865.

<sup>132</sup> *KSR Int’l. Co. v. Teleflex, Inc.*, 550 U.S. 398, 415 (2007) (internal quotation marks and citation omitted).

old elements with no change in their respective functions . . . obviously withdraws what already is known into the field of its monopoly and diminishes the resources available to skillful men.”<sup>133</sup>

For the Supreme Court, the 1952 Patent Act merely codified its precedent.<sup>134</sup> For example, the Court has stated that the Act “left intact the entire body of case law on direct infringement.”<sup>135</sup> It is therefore usually error for the Federal Circuit to disregard and cabin the Supreme Court’s pre-1952 precedent. The Supreme Court has relied on this reasoning again and again. It has been the most common rationale for the Supreme Court to reverse the Federal Circuit in patent cases since the year 2000.<sup>136</sup>

*C. The Supreme Court’s Project of Patent Reform to Favor Accused Infringers*

We are confronted with a situation where the Supreme Court is accepting an unprecedented number of patent cases,<sup>137</sup> is reversing the Federal Circuit at a relatively high rate,<sup>138</sup> and is doing so by reaffirming its precedent from prior to the 1952 passage of the Patent Act.<sup>139</sup> This raises the question: What is the Supreme Court doing to patent law substantively?

The inescapable conclusion is that the Supreme Court is engaged in an ongoing project of patent litigation reform to favor accused infringers. First, as a purely numeric matter, of the forty-one substantive patent law opinions the Supreme Court has issued since 2000, the majority of cases establish a rule to favor accused infringers. Specifically, twenty-four opinions favor accused

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<sup>133</sup> *Id.* at 415–16 (quoting *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 152–53 (1950)).

<sup>134</sup> *See, e.g., Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 505 n.20 (1964) (referring to “the 1952 codification” of contributory infringement law).

<sup>135</sup> *Id.* at 602; *see also Warner-Jenkinson v. Hilton Davis Chem. Co.*, 520 U.S. 17, 26 (1997) (“In the context of infringement, we have already held that pre-1952 precedent survived the passage of the 1952 Act.”).

<sup>136</sup> *See* sources cited *supra* note 102.

<sup>137</sup> *See supra* Part I.

<sup>138</sup> *See supra* Part I.

<sup>139</sup> *See supra* Section I.B.4

infringers,<sup>140</sup> eleven opinions favor patent holders,<sup>141</sup> and six opinions favor neither party.<sup>142</sup>

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<sup>140</sup> The twenty-four cases establishing a rule to favor accused infringers are: *Oil States Energy v. Greene's Energy*, 138 S. Ct. 1365, 1370 (2018) (holding that inter partes review does not violate Article III or the Seventh Amendment to the Constitution); *Sandoz Inc. v. Amgen Inc.*, 137 S. Ct. 1664, 1669, 1677 (2017) (holding that the requirement of the Biologics Price Competition and Innovation Act that an applicant provide a sponsor with its application and manufacturing information is not enforceable by federal injunction; and an applicant need not provide notice of commercial marketing to the sponsor until after the FDA licenses its biosimilar); *Impression Prods., v. Lexmark Int'l, Inc.*, 137 S. Ct. 1523, 1529, 1535 (2017) (holding that a patent holder's decision to sell a product exhausts all patent rights in that item regardless of any contractual restrictions the patent holder purports to impose; and the sale of a product overseas triggers patent exhaustion); *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1517 (2017) (holding that a domestic corporation "resides" only in its State of incorporation for purposes of satisfying the patent venue statute, 28 U.S.C. § 1400(b)); *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 737 (2017) (holding that a single component of a multicomponent invention cannot constitute "all or a substantial portion" of the components supplied from the United States for combination abroad such as to impose infringement liability under 35 U.S.C. § 271(f)(1)); *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429, 436 (2016) (holding that the "article of manufacture" as used in 35 U.S.C. § 289 governing damages for design patent infringement can be a component of a product even if consumers cannot purchase the component separately); *Cuozzo Speed Techs. LLC v. Lee*, 136 S. Ct. 2131, 2141, 2144–45 (2016) (holding that a PTO determination to institute inter partes review is final and non-appealable; and the PTO may apply the broadest reasonable claim construction in conducting inter partes review); *Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401, 2405 (2015) (on certiorari to the Ninth Circuit) (holding that "a patent holder cannot charge royalties for his invention after its patent term has expired"); *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2351 (2014) (holding that a particular business method patent was invalid for failing to recite patentable subject matter); *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U.S. 898, 913 (2014) (holding that a patent is invalid for indefiniteness if its claims, read in light of the specification and prosecution history, fail to inform a person of ordinary skill in the art with reasonable certainty what is the scope of the patented invention); *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 572 U.S. 915, 915, 918 (2014) (holding that there is no claim for inducement of infringement where there is no underlying direct infringement; hence, where no single entity performs all steps of a claimed method, such that there is no direct infringement under Federal Circuit precedent, there is no claim for inducement of infringement); *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 571 U.S. 191, 194 (2014) (holding that in a suit for declaratory judgment of non-infringement, the burden of proving infringement remains with the patent holder defendant); *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 580 (2013) (holding that claims to isolated DNA segments recited phenomena of nature and were therefore not patent eligible under 35 U.S.C. § 101); *F.T.C. v. Actavis, Inc.*, 570 U.S. 136, 141 (2013) (on certiorari to the Eleventh Circuit) (holding that reverse settlement payments, whereby a branded pharmaceutical company pays a generic company royalties to keep the generic product off the market until the patent expires, can violate the antitrust laws); *Caraco Pharm. Labs., Ltd. v. Novo Nordisk A/S*, 566 U.S. 399,

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404 (2012) (holding that a generic pharmaceutical manufacturer may assert a counterclaim in an infringement suit seeking correction of the branded pharmaceutical's inaccurate use code); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1294 (2012) (holding that patents claiming methods for calibrating the proper dosage of a particular drug claimed laws of nature and were therefore invalid pursuant to 35 U.S.C. § 101 for lack of eligible subject matter); *Global-Tech Appliances v. SEB S.A.*, 563 U.S. 754, 757, 766 (2011) (holding that inducement of infringement requires actual knowledge that the accused acts constituted infringement (or willful blindness to that fact); constructive knowledge is insufficient)); *Bilski v. Kappos*, 561 U.S. 593, 604, 607 (2010) (holding that a patent claiming a particular business method was not patent eligible; and that the machine-or-transformation test is not the exclusive test for patent eligibility under 35 U.S.C. § 101); *Quanta Comput., Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 638 (2008) (holding that where a patent holder authorizes a licensee to sell articles that substantially embody patented methods, the patent rights in those articles are exhausted); *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 441–42 (2007) (35 U.S.C. § 271(f) provides for infringement liability where a person “supplies . . . from the United States,” for “combination” abroad, a patented invention’s “components.” The Court held that where the accused “component” was software, infringement liability was only incurred for supply of the disks containing the software, not for each copy of the software made from those disks overseas); *KSR Int'l. Co. v. Teleflex, Inc.*, 550 U.S. 398, 407 (2007) (holding that the Federal Circuit incorrectly reversed the District Court’s judgment that the patent-in-suit was invalid as obvious based on an overly rigid rule contrary to the Court’s precedent); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 137 (2007) (holding that a patent licensee is not required to terminate or breach its license in order to seek declaratory judgment of patent invalidity); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 390, 394 (2006) (holding that the decision to grant or deny a permanent injunction is within the equitable discretion of the district court applying the four-factor test applicable to all federal cases); *Merck KGaA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193, 206 (2005) (holding that the exemption from patent infringement for uses of patented inventions in a manner reasonably related to the development and submission of information to the Food and Drug Administration does not categorically exclude experiments on drugs where neither the drugs nor the experiments are ultimately the subject of an FDA submission).

<sup>141</sup> The eleven cases establishing a rule to favor patent holders are: *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2134 (2018) (holding that a patent holder may collect lost profits damages based on loss of foreign sales when claiming infringement under 35 U.S.C. § 271(f)); *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 967 (2017) (holding that laches cannot be asserted as a defense against damages occurring within the Patent Act’s six year limitations period); *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1934 (2016) (holding that the Federal Circuit’s tri-partite test for enhanced damages for willful infringement was incorrect and inconsistent with the district court’s discretion to grant enhanced damages); *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1928 (2015) (holding that the accused infringer’s belief that the patent was invalid is not a defense to the knowledge element of a claim of induced infringement); *Bowman v. Monsanto*, 569 U.S. 278, 289 (2013) (holding that Monsanto’s patent rights were not exhausted in patented seeds a farmer reproduced through planting and harvesting); *Kappos v. Hyatt*, 566 U.S. 431, 433–34 (2012) (holding that when a patent applicant files a civil action in the district

To be clear, this is not a count of the number of cases where the patent holder or the accused infringer necessarily won the appeal in the Supreme Court. Rather, this is a count of the number of cases where the Supreme Court's opinion *established a rule* to favor patent holders or accused infringers going forward. For example, in *SAS Institute v. Iancu*, the victorious petitioner in the

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court pursuant to 35 U.S.C. § 145 to challenge the denial of a patent application, the patent applicant may introduce new evidence before the district court and the district court must make de novo factual findings based on the new evidence); *Microsoft Corp. v. i4i Ltd.*, 564 U.S. 91, 95 (2011) (holding that a patent must be proven invalid by clear and convincing evidence); *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys.*, 563 U.S. 776, 780 (2011) (holding that the Business Patent Procedures Act of 1980 does not automatically vest title to federally funded inventions in federal contractors); *Illinois Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 46 (2006) (holding that in order to prove an illegal tying arrangement involving a patented product, the plaintiff must prove the defendant has market power in the tying product, and the existence of the patent does not give rise to a presumption of market power); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 736–37, 741, 740 (2002) (holding that prosecution history estoppel may apply to any claim amendment made to satisfy patentability requirements; a claim amendment does not operate as an absolute bar to the doctrine of equivalents; rather, the patent holder has the burden of proving that the particular equivalent was not surrendered); *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int'l Inc.*, 534 U.S. 127, 132 (2001) (holding that Utility patents may be granted for plants under 35 U.S.C. § 101; and that the Plant Variety Protection Act and the Plant Patent Act of 1930 are not the exclusive means for obtaining patent protection for plants).

<sup>142</sup> The six cases establishing a rule that could favor either party in a given case are: *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018) (holding that the Patent Trial and Appeal Board must issue a final written decision addressing every patent claim challenged in an initial petition for inter partes review); *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015) (holding that findings of fact underlying a district court's claim construction opinion must be reviewed for clear error); *Highmark Inc. v. Allcare Health Mgmt. Sys.*, 572 U.S. 559, 564 (2014) (holding that all aspects of district court determinations under the Patent Act's fee shifting provision (35 U.S.C. § 285) are reviewed for abuse of discretion); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 557 (2014) (holding that the test for whether a case is "exceptional" under 35 U.S.C. § 285 to allow for the awarding of attorney's fees is that the case stands out from other cases with respect to the substantive strength of a party's litigating position or the unreasonable manner in which the case was litigated; patent litigants are not required to establish entitlement to fees by a heightened clear and convincing evidence standard); *Gunn v. Minton*, 568 U.S. 251, 264–65 (2013) (on certiorari to the Supreme Court of Texas) (holding that a legal malpractice claim requiring the resolution of a substantive question of patent law was not subject to the exclusive jurisdiction of the federal courts); and *Holmes Group, Inc. v. Vornado Air Circulation Sys.*, 535 U.S. 826, 834 (2002) (holding that the Federal Circuit does not have appellate jurisdiction over a case based solely on the answer containing a patent law counterclaim).

Supreme Court was a party accused of patent infringement who instituted an *inter partes* review in the PTO to challenge the validity of the patent.<sup>143</sup> SAS Institute won its appeal in the Supreme Court, convincing the Court to establish a rule that, when the PTO initiates an *inter partes* review, it must issue a final written decision on all of the patent claims challenged in the petitioner's initial petition, even those patent claims about which the PTO concludes there is no "reasonable likelihood that the petitioner would prevail" in establishing invalidity.<sup>144</sup> SAS Institute won the Supreme Court appeal and will be entitled to a final decision by the PTO in all of the patent claims it challenged, but this will not necessarily assist accused infringers going forward: if the PTO is forced to reach a decision on patent claims about which it initially concluded there was no reasonable likelihood of being proven invalid, the chances are that the PTO will issue a final decision that those claims are, in fact, valid. Because the pertinent statute provides that "[t]he petitioner in an inter partes review of a claim in a patent . . . that results in a final written decision . . . may not assert either in a civil action . . . or in [an ITC proceeding] that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review," this will result in estopping the accused infringer from attempting to invalidate those claims in a subsequent infringement case in the district court.<sup>145</sup> Accordingly, whereas before the Court's opinion in *SAS Institute* the PTO was free to issue final written decisions only on those claims about which it found a reasonable likelihood of invalidity, now it must issue final written opinions on all claims challenged in the initial petition, which will often result in the accused infringer being estopped from challenging the validity of claims in subsequent litigation. Even though the accused infringer won in *SAS Institute*, the rule established in that case will not necessarily help accused infringers.

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<sup>143</sup> *SAS Inst., Inc.*, 138 S. Ct. at 1354.

<sup>144</sup> *Id.* at 1354–53.

<sup>145</sup> 35 U.S.C. § 315(e)(2) (2011).



Below is a pie chart illustrating this author's assessment of the number of Supreme Court patent law cases since 2000 establishing a rule to favor accused infringers, patent holders, or neither.

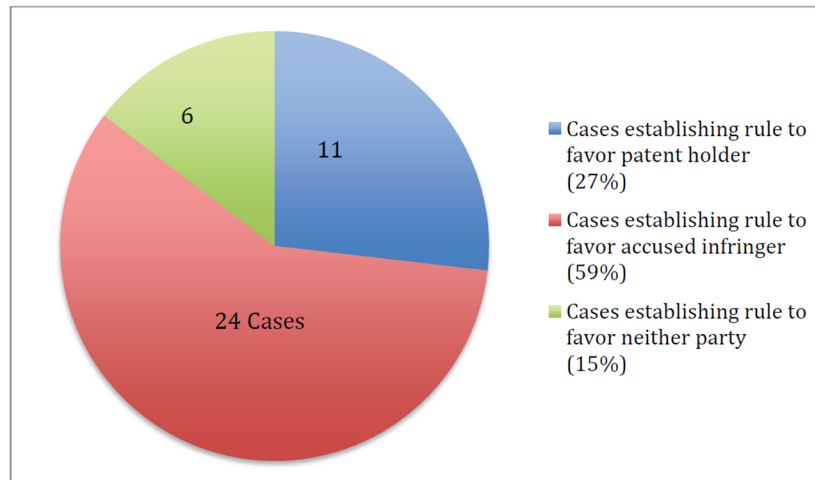


Figure 4: Number of Supreme Court patent cases since 2000 establishing a rule to favor patent holders, accused infringers, or neither party.

More important than these numbers, however, is the importance of the fundamental reforms the Supreme Court has made to patent law since 2000 to favor accused infringers. These include the following:

- The Court made it far more difficult to obtain patent injunctions, particularly for non-practicing entities, by eliminating the Federal Circuit's rule that the district court must issue an injunction against infringement;<sup>146</sup>
- The Court expanded the availability to licensees of declaratory judgment actions challenging the validity of the licensed patent<sup>147</sup> and put the

<sup>146</sup> See *eBay Inc.*, 547 U.S. at 394.

<sup>147</sup> See *MedImmune, Inc.*, 549 U.S. at 137.

burden of proving infringement on the patent holder in declaratory judgment actions;<sup>148</sup>

- The Court made it easier to prove a patent invalid for obviousness by making the standard more flexible;<sup>149</sup>
- The Court revitalized the defense of patent exhaustion, whereby a patent holder may not chase a patented product down the stream of commerce, accusing each subsequent user of infringement after an authorized first sale;<sup>150</sup>
- The Court gave teeth to the doctrine of patent ineligible subject matter, making it easier to invalidate patents on the basis that they improperly claim abstract ideas, natural phenomena, or rules of nature;<sup>151</sup>
- The Court made it easier to prove a patent invalid for claim indefiniteness, making the test less stringent and difficult to prove;<sup>152</sup>
- The Court reinterpreted the patent venue statute, making it more difficult for plaintiffs to forum shop;<sup>153</sup>
- The Court affirmed the constitutionality of the new PTO *inter partes* review proceedings, which provide a less expensive forum for accused infringers to challenge patent validity, thereby reducing settlement pressure;<sup>154</sup>

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<sup>148</sup> See *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 571 U.S. 191, 203 (2014).

<sup>149</sup> See *KSR Int'l. Co. v. Teleflex, Inc.*, 550 U.S. 398, 415–22 (2007).

<sup>150</sup> See *Impression Prods., v. Lexmark Int'l, Inc.*, 137 S. Ct. 1523, 1529 (2017); *Quanta Comput., Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 621 (2008).

<sup>151</sup> See *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354–59 (2014); *Bilski v. Kappos*, 561 U.S. 593, 602–06 (2010); *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 580 (2013); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 70–73 (2012).

<sup>152</sup> See *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U.S. 898, 913 (2014).

<sup>153</sup> See *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1517 (2017).

<sup>154</sup> See *Oil States Energy v. Greene's Energy*, 138 S. Ct. 1365, 1370 (2018).

- The Court narrowly construed statutes providing remedies for international infringement and for indirect infringement,<sup>155</sup> and
- The Court issued multiple decisions favoring the availability of generic pharmaceuticals and adverse to patent-holding branded pharmaceutical companies.<sup>156</sup>

These and other reforms the Supreme Court has made are far more impactful than any legislative reforms Congress has managed to enact to relieve accused infringers from the patent thicket and non-practicing entities.<sup>157</sup> There can be no doubt that we are living through an era of Supreme Court patent litigation reform to favor accused infringers.

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<sup>155</sup> See *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 741 (2017); *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 572 U.S. 915, 924 (2014); *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 442 (2007).

<sup>156</sup> See *Sandoz Inc. v. Amgen Inc.*, 137 S. Ct. 1664, 1674 (2017); *F.T.C. v. Actavis, Inc.*, 570 U.S. 136, 140–41 (2013); *Caraco Pharm. Labs., Ltd. v. Novo Nordisk A/S*, 566 U.S. 399, 403–04 (2012); *Merck KGaA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193, 202–08 (2005).

<sup>157</sup> Colleen V. Chien, *Patent Amicus Briefs: What the Courts' Friends Can Teach Us About the Patent System*, 1 U.C. IRVINE L. REV. 397, 398 (2011) (“Over the last two decades, the courts have become the primary source of patent law and policy. During the half decade or so that Congressional patent reform was pending, the Federal Circuit and Supreme Court reshaped the laws governing innovation in the United States by deciding what can be patented, the scope of patent rights, and the remedies to which patentees are entitled.”) (internal citations omitted).

The possible exception is Congress’s creation of new PTO proceedings to reexamine the validity of issued patents, which has provided a less expensive forum for accused infringers to challenge asserted patents. See generally Timothy B. Dyk & Samuel F. Ernst, *Patents*, BUSINESS AND COMMERCIAL LITIGATION IN FEDERAL COURTS § 98:7 (Robert L. Haig, ed. 4<sup>th</sup> ed. 2016) (discussing 35 U.S.C. §§ 311–19 (inter parties review proceedings); §§ 321–29 (post-grant review proceedings)). However, even with respect to this reform, the constitutional validity of these proceedings had to be safeguarded by the Supreme Court. See *Oil States Energy v. Greene’s Energy*, 138 S. Ct. 1365, 1370 (2018).

## II. PRECEDENT VITALITY AND EXTERNAL INFLUENCES ON THE SUPREME COURT

### A. *The Supreme Court Has Been Influenced in its Unstated Policy of Patent Litigation Reform by External Influences*

At this point an objection might be raised: The Supreme Court doesn't pursue policy objectives. In the words of Chief Justice Roberts at his confirmation hearing, "I have no agenda . . . [I]t's my job to call balls and strikes and not to pitch or bat."<sup>158</sup>

In fact, various Supreme Court scholars in studies across many decades have concluded that "the justices' policy preferences are the primary determinant of their votes on the merits of cases."<sup>159</sup> In addition, various studies have demonstrated that the justices' policy preferences affect their votes on certiorari petitions.<sup>160</sup> The view that the justices are guided by their policy preferences is not controversial. Rather, "judicial specialists generally agree that justices, first and foremost, wish to see their policy preferences etched into law. They are, in the eyes of many, 'single-minded seekers of legal policy.'"<sup>161</sup> In this regard, the justices vote not merely to determine the outcome of the particular case at hand. As Thomas G. Hansford and James F. Spriggs write:

Instead, [the justices] endeavor to create legal policy that will actually influence legal and extralegal outcomes in the intended manner. Justice Vinson suggested as much when he wrote: "What

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<sup>158</sup> Roberts, 'My Job Is to Call Balls And Strikes and Not to Pitch or Bat', CNN (Sept. 12, 2005) <http://www.cnn.com/2005/POLITICS/09/12/roberts.statement/> [<https://perma.cc/YN3G-ND3M>].

<sup>159</sup> THOMAS G. HANSFORD & JAMES F. SPRIGGS II, THE POLITICS OF PRECEDENT ON THE U.S. SUPREME COURT 17 (2006) (citing C. HERMAN PRITCHETT, THE ROOSEVELT COURT: A STUDY IN JUDICIAL POLITICS AND VALUES, 1937-47 (1948); DAVID W. ROHDE AND HAROLD J. SPAETH, SUPREME COURT DECISION MAKING (1976); JEFFREY A. SEGAL & HAROLD J. SPAETH, THE SUPREME COURT AND THE ATTITUDINAL MODEL (1993); JEFFREY A. SEGAL & HAROLD J. SPAETH, THE SUPREME COURT AND THE ATTITUDINAL MODEL REVISITED (2002)).

<sup>160</sup> *Id.* (citing Robert L Boucher & Jeffrey A. Segal, *Supreme Court Justices as Strategic Decision Makers: Aggressive Grants and Defensive Denials on the Vinson Court*, 57 J. POL. 824 (1995); Gregory A. Caldeira et al., *Strategic Voting and Gatekeeping in the Supreme Court*, 15 J.L., ECON., & ORG. 549 (Oct. 1999)).

<sup>161</sup> LEE EPSTEIN & JACK KNIGHT, THE CHOICES JUSTICES MAKE 9-10 (1998) (quoted in HANSFORD & SPRIGGS, *supra* note 159).

the Court is interested in is the actual, practical effect of the disputed decision – its consequences for other litigants and in other situations.” In other words, the justices care about the ultimate *effect* of the legal policy they set. The justices recognize that the legal rules or precedents established in the Court’s majority opinions represent their most important tool for influencing social, political, and economic outcomes. Their behavior on the bench is therefore principally motivated by the distributional consequences of their opinions, and they want these consequences to reflect their preferences.<sup>162</sup>

This all may be true with respect to controversial issues in constitutional law and criminal procedure, but is it really true with respect to patent law? Mark Tushnet has attempted to puzzle this out in the context of a conservative Supreme Court taking a lot of patent cases. Tushnet observes that “[p]opulist Democrats used to try to keep the scope of patents narrow. They thought that patents gave people monopolies (mostly true), and that monopolies were bad for consumers (mostly true, too).”<sup>163</sup> Why, then, would a conservative Supreme Court be engaged in a project of weakening patent rights? Professor Tushnet argues that

[t]he high-tech revolution changed how patents fit into the political system, as suggested by the common observation that Democrats get a lot of political contributions from people in high-tech industries. The new view of patents is that they encourage creativity. The image of the inventor in the garage behind the house isn’t entirely accurate, but it captures the idea that patents are good for a certain class of small businesses.<sup>164</sup>

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<sup>162</sup> HANSFORD & SPRIGGS, *supra* note 159 at 17–18 (quoting Fred M. Vinson, *Work of the U.S. Supreme Court*, 12 TEX. BAR. J. 551, 552 (1949) (emphasis in original)).

<sup>163</sup> MARK TUSHNET, *IN THE BALANCE: LAW AND POLITICS ON THE ROBERTS COURT* 190–91 (2013).

<sup>164</sup> *Id.* at 191.

If this is true, then maybe the conservative Supreme Court is now anti-patent because Democrats are aligned with the high-tech industry, which is pro-patent.

But Professor Tushnet has it all wrong. The high-tech industry in Silicon Valley has for many years been advocating for patent reform to weaken patent rights because of the plague of non-practicing entities imposing a tax on innovation.<sup>165</sup> There is a view in the high-tech industry and among many scholars that patents *impede*, rather than encourage, true innovation.<sup>166</sup> Accordingly, even if Tushnet is correct that Democrats are aligned with the Silicon Valley high-tech industry, this would appear to result in an anti-patent bias, not a pro-patent bias.

Moreover, the image of the sole inventor in his garage laboratory battling large corporations that have stolen his invention is not *at all* accurate anymore, if it even ever was.<sup>167</sup> Rather, “small companies, consumers, and nonprofits—are increasingly being dragged into the world of high-priced patent litigation.”<sup>168</sup> And “the majority of non-practicing entity lawsuits are filed against

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<sup>165</sup> See Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 YALE L.J. 848, 935 (2016) (“Many of these [patent reform] proposals emerged from strange-bedfellow reformist coalitions of large high-tech firms and grassroots antipatent cultures.”).

<sup>166</sup> See generally MICHELE BOLDRIN & DAVID K. LEVINE, *AGAINST INTELLECTUAL MONOPOLY* (Cambridge Univ. Press 2009); Walter Frick, *Patents are Eating the World and Hurting Innovation*, HARV. BUS. REV. (June 26, 2014), <http://hbr.org/2014/06/patents-are-eating-the-world-and-hurting-innovation/> [<https://perma.cc/X4GG-QST9>]; Press Release, Software & Info. Indus. Ass’n, SIIA Applauds Innovation Act: Calls it an Important, Bipartisan Patent Reform Effort (July 29, 2015), <http://www.siiia.net/Press/SIIA-Appraises-Innovation-Act-Calls-it-an-Important-Bipartisan-Patent-Reform-Effort> [<https://perma.cc/G9GE-DZ2X>]. The claims of less than half of all patents are ever commercialized and only about 5% of patents are ever licensed for a royalty. See Ted Sichelman, *Commercializing Patents*, 62 STAN. L. REV. 341, 362 (2010).

<sup>167</sup> Cf. Mark A. Lemley, *The Myth of the Sole Inventor*, 110 MICH. L. REV. 709, 709 (2012) (Surveys of hundreds of significant new technologies show that almost all of them are invented simultaneously or nearly simultaneously by two or more teams working independently of each other.”).

<sup>168</sup> Colleen Chien & Edward Reines, *Why Technology Customers Are Being Sued En Masse for Patent Infringement and What Can Be Done*, 49 WAKE FOREST L. REV. 235, 238 (2014).

small businesses with revenues under \$10 million.”<sup>169</sup> Accordingly, Tushnet is incorrect when he asks us

to imagine a case in which liberals vote to uphold a patent because they think that consumers as little guys are going to gain a lot from being able to buy the new device, and conservatives vote to uphold it because they like big businesses that typically are the ones who get the patented item to the larger market.<sup>170</sup>

In fact, the picture is more nuanced: patents often hurt consumers as well as large and small high-tech businesses and generic pharmaceutical companies while helping branded pharmaceutical companies.<sup>171</sup> Against this background, conservative and liberal justices alike are nonetheless largely voting to *weaken* patent rights, not strengthen them, and hinder branded pharmaceutical companies in cases with very few dissenting opinions.<sup>172</sup>

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<sup>169</sup> Robin Feldman, *The Pace of Change: Non-Practicing Entities and the Shifting Legal Landscape*, 18 *CHAP. L. REV.* 635, 641 (2015).

<sup>170</sup> TUSHNET, *supra* note 163 at 191.

<sup>171</sup> See Beauchamp, *supra* note 165, at 935 (“Many of these [patent reform] proposals emerged from strange-bedfellow reformist coalitions of large high-tech firms and grassroots antipatent cultures.”); see generally BOLDRIN & LEVINE, *supra* note 166; Frick, *supra* note 166; Press Release, *supra* note 166. The claims of less than half of all patents are ever commercialized and only about 5% of patents are ever licensed for a royalty. See Ted Sichelman, *Commercializing Patents*, 62 *STAN. L. REV.* 341, 362 (2010); see also Colleen V. Chien, *Patent Amicus Briefs: What the Courts’ Friends Can Teach Us About the Patent System*, 1 *UC IRVINE L. REV.* 397, 398 (2011).

<sup>172</sup> See *supra* Section I.C. Only eight of the Supreme Court patent cases vacating or reversing the Federal Circuit since 2000 contain a dissenting opinion. See *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2139 (2018) 2139 (Gorsuch, J., dissenting); *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1360 (2018) (Ginsberg, J., dissenting) (Breyer, J., dissenting); *Impression Prods., v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523, 1538 (2017) (Ginsberg, J., concurring in part and dissenting in part); *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 967 (2017) (Breyer, J., dissenting); *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1931 (2015) (Scalia, J., dissenting); *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 844 (2015) (Thomas, J., dissenting); *Microsoft Corp. v. AT & T Corp.*, 550 U.S. 437, 462 (2007) (Stevens, J., dissenting); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 137 (2007) (Thomas, J., dissenting). See also Ghosh, *supra* note 33 at 347 at (noting that “the Supreme Court announces unanimous patent law decisions (with occasional dissenters)”).

Perhaps because of this peculiar phenomenon at the Supreme Court, Tushnet throws up his hands and concludes:

No one knows enough about the effects of patent law on innovation and marketing to be sure who's going to benefit from decisions making it easier or harder to get valid patents. In general, the justices are simply going to try to build the best – that is, the most legally defensible – body of patent law they can try.<sup>173</sup>

But there is a vast literature studying the effects of patent law on innovation and marketing.<sup>174</sup> And the justices are not simply struggling to say something legally defensible about patent law. As demonstrated quantitatively and qualitatively above, the Supreme Court is pursuing a concerted policy of patent litigation reform to favor accused infringers.<sup>175</sup>

But why? What would unify liberal and conservative justices alike to pursue a policy of patent reform? The solution might be that the policy being pursued is not influenced so much by politics in the traditional liberal versus conservative model. Rather, the justices are influenced in patent law decisions by external pressures that are largely unrelated to Democratic versus Republican politics.

Jeffrey Segal has conducted a study demonstrating that the Supreme Court is largely unconstrained by the pressures on political actors in the other branches.<sup>176</sup> This stands to reason, because “[t]hough it is true that Congress can overrule the Court by passing ordinary legislation, the difficulty of passing override legislation combined with the even greater difficulty of the Court’s knowing whether that would happen creates an environment in

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<sup>173</sup> TUSHNET, *supra* note 163 at 191.

<sup>174</sup> See Samuel F. Ernst, *Protecting the Boundaries: Unclaimed Consideration in the Patentee’s Social Contract*, 18 TUL. J. TECH. & INTELL. PROP. 1, 6–26 (2015) (surveying a small portion of the vast literature on patent law and innovation policy, including disclosure theory, commercialization theory, prospect theory, patent race theory, and signaling (or portfolio) theory).

<sup>175</sup> See *supra* Part I.

<sup>176</sup> See Jeffrey A. Segal, *Supreme Court Deference to Congress*, in SUPREME COURT DECISION-MAKING: NEW INSTITUTIONALIST APPROACHES 237–53 (Cornell W. Clayton & Howard Gillman, eds., 1999).



which members of the Court can rationally vote their sincere policy preferences.”<sup>177</sup> Hence, the justices’ decision-making does not blow in the storm of Democratic versus Republican politics, as it does in the other branches. Nonetheless, “Justices, like most politically sophisticated adults, have preferences of policy and presumably derive greater utility when those preferences are written into law than when they are not.”<sup>178</sup> But because of their judicial independence, Justices can pursue their preferred policies steadfastly, without being swayed directly by such ephemeral matters as whether Silicon Valley or the pharmaceutical industry is giving more money to Republicans or Democrats. Hence, “[t]he federal courts were designed to be independent; we should not be surprised that they are capable of actually being independent.”<sup>179</sup>

Nonetheless, “[n]o man is an island, entire of itself; every man is a piece of the continent, a part of the main.”<sup>180</sup> So too with the women and men on the Supreme Court. If the justices, as Segal argues, are not generally influenced by shifting partisan political winds; and if, in the area of patent law, the justices do not appear influenced by their steadfast liberal or conservative ideologies as they may be in other areas of law; then what external pressures influence their decision-making? Charles R. Epp argues that the Court’s agenda is influenced by concentrated external pressures coming from the legal field.<sup>181</sup> First, “[t]he justices have developed an institutionalized reluctance to decide issues that have ‘percolated’ little in lower courts.”<sup>182</sup> Accordingly, “the available options for a place on the agenda are limited to those issues on which there is sustained litigation in lower courts.”<sup>183</sup> Second, “[t]he political economy of litigation – particularly the availability of resources for litigation – determines the extent to which there is

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<sup>177</sup> *Id.* at 238–39.

<sup>178</sup> *Id.* at 238.

<sup>179</sup> *Id.* at 252.

<sup>180</sup> JOHN DONNE, DEVOTIONS UPON EMERGENT OCCASIONS, *Meditation 17* (1624).

<sup>181</sup> Charles R. Epp, *External Pressure and the Supreme Court’s Agenda*, in SUPREME COURT DECISION-MAKING: NEW INSTITUTIONALIST APPROACHES, 255–79 (Cornell W. Clayton & Howard Gillman, eds., 1999).

<sup>182</sup> *Id.* at 256 (citing H.W. PERRY, JR., DECIDING TO DECIDE: AGENDA SETTING IN THE UNITED STATES SUPREME COURT 230–34 (1991)).

<sup>183</sup> *Id.*

sustained litigation on any particular issue.”<sup>184</sup> From these facts, it follows that the Court’s agenda is “dependent on a *support structure for legal mobilization*, consisting of lawyers, organizations, and sources of financing, that makes sustained litigation possible.”<sup>185</sup> Hence, when there are sustained litigation campaigns in the lower court by business interests in favor of large corporations, the Court is influenced to take up such cases and shift the law in favor of corporations.<sup>186</sup> As another example, when there are sustained litigation campaigns in the lower courts by rights-advocacy organizations, the Court is influenced to take up these types of cases and reform the law in this direction.<sup>187</sup>

Epps takes as one example the pro-business litigation campaigns of the 1900s-1920s, which resulted in conservative, pro-business decisions.<sup>188</sup> He takes as another example the litigation campaigns undertaken by rights-advocacy groups such as the ACLU, the American Jewish Congress, and the NAACP in the 1950s-1970s, which resulted in Supreme Court legal reform in the area of civil rights.<sup>189</sup> In a similar vein, Lee Epstein and Jack Knight have demonstrated that the Court is often influenced to pursue an agenda in areas of law where there have been extensive *amicus curiae* campaigns.<sup>190</sup>

All of these phenomena have coalesced in the area of patent law this decade. There has been an increase in patent lawsuits being filed in the last ten years, although the number has declined slightly recently due to more patents being challenged in *inter partes* review proceedings.<sup>191</sup> In particular, a large number of cases

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

<sup>185</sup> *Id.* at 256 (emphasis in original).

<sup>186</sup> *Id.* at 264–65.

<sup>187</sup> *Id.* at 265–68.

<sup>188</sup> *Id.* at 262–65.

<sup>189</sup> *Id.* at 265–68.

<sup>190</sup> Lee Epstein & Jack Knight, *Mapping Out the Strategic Terrain: The Informational Role of Amici Curiae*, in *SUPREME COURT DECISION-MAKING: NEW INSTITUTIONALIST APPROACHES*, 216–35 (Cornell W. Clayton & Howard Gillman, eds., 1999).

<sup>191</sup> Parithosh K. Tungaturthi, *2017 Patent Litigation: A Statistical Overview*, *BIOLOQUITUR: THE LIFE SCI. PAT. BLOG* (Jan 17, 2018), <https://www.bioloquitur.com/2017-patent-litigation-statistical-overview/> [<https://perma.cc/K8QF-AEQ8>] (finding that 2,605 patent cases were filed in the district court in 2008; reaching a peak of 6,094 patent cases being filed in 2013; and 4,527 cases filed in 2017).

have been brought by non-practicing entities,<sup>192</sup> and this has caught the attention of the legal academy and of the mainstream press.<sup>193</sup> In fact, the problem of non-practicing entities has caught the explicit attention of the Supreme Court, as demonstrated by Justice Kennedy's famous concurrence in the *eBay* opinion, in which he opined that non-practicing entities would seldom be able to demonstrate entitlement to a permanent injunction against patent infringement.<sup>194</sup> High tech companies have undertaken extensive litigation campaigns in an effort to reform patent law.<sup>195</sup> There has been a marked increase in the number of amicus briefs filed in patent appeals both before the Federal Circuit and the Supreme Court.<sup>196</sup>

Accordingly, it appears to have been these pressures from within the legal community that have influenced the Supreme Court to undertake its prolonged project of patent litigation reform.

*B. The Supreme Court Affects its Unstated Policy of Patent Litigation Reform Through Precedent Vitality*

What methodology has the Court used to pursue its policy of patent litigation reform? As demonstrated above, the most common rationale relied upon by the Supreme Court in overruling the Federal Circuit has been that the Federal Circuit disregarded or cabined Supreme Court precedent from prior to the Patent Act of

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<sup>192</sup> 2017 Patent Dispute Report: Year in Review, UNIFIED PATENTS (Dec. 30, 2017), <https://www.unifiedpatents.com/news/2017/12/26/2017-patent-dispute-report-year-in-review> [<https://perma.cc/ME7Q-G5Z4>] (finding 3,083 cases filed by non-practicing entities in 2014; 3,909 cases in 2015; 2,630 cases in 2016; and 2,099 cases in 2017).

<sup>193</sup> See Samuel F. Ernst, *Introduction to the 2015 Chapman Law Review Symposium: Trolls or Toll-Takers: Do Intellectual Property Non-practicing Entities Add Value to Society?*, 18 CHAP. L. REV. 611, 611–13 (2015).

<sup>194</sup> *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 394 (2006) (Kennedy, J., concurring) (“An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. . . . When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.”).

<sup>195</sup> Beauchamp, *supra* note 165 at 934.

<sup>196</sup> See Chien, *supra* note 171 at 399 (“An important source of the courts’ awareness of the contexts of patent law has been amicus briefs. . . . [A]micus interest in patent cases is at an all-time high . . .”).

1952 or from prior to the 1982 creation of the Federal Circuit.<sup>197</sup> In light of general Supreme Court scholarship on *stare decisis* and “precedent vitality,” it is not surprising that the Court has followed this strategy.

Alexander Hamilton famously wrote

[t]he judiciary . . . has no influence over either the sword or the purse; no direction either of the strength or of the wealth of the society; and can take no active resolution whatever. It may truly be said to have neither FORCE nor WILL, but merely judgment; and must ultimately depend upon the aid of the executive arm even for the efficacy of its judgments.<sup>198</sup>

Accordingly, as many have observed, judges rely solely on institutional and decisional legitimacy to encourage compliance with their rulings.<sup>199</sup> In order to achieve this legitimacy, Hamilton argued that “it is indispensable that [judges] should be bound down by strict rules and precedents, which serve to define and point out their duty in every particular case that comes before them.”<sup>200</sup> Accordingly, the judiciary relies on the principal of *stare decisis*:

This doctrine is simply that, when a point or principle of law has been once officially decided or settled by the ruling of a competent court in a case in which it is directly and necessarily involved, it will no longer be considered as open to examination or to a new ruling by the same tribunal, or by those which are bound to follow its adjudications.<sup>201</sup>

Even the Supreme Court is bound by *stare decisis* to preserve the legitimacy of its decisions. Although the Court is free to overrule its prior decisions, it purports to set forth objective guidelines for determining when that is appropriate. Hence, the Court wrote in *Planned Parenthood v. Casey* that it considers

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<sup>197</sup> See *supra* Section I.B.4

<sup>198</sup> THE FEDERALIST NO. 78 (Alexander Hamilton).

<sup>199</sup> HANSFORD & SPRIGGS II, *supra* note 159, at 19–20 (collecting authorities).

<sup>200</sup> THE FEDERALIST NO. 78 (Alexander Hamilton).

<sup>201</sup> WILLIAM M. LILE ET AL., BRIEF MAKING AND THE USE OF LAW BOOKS, 321 (3d ed. 1914).

whether the rule [of the precedent in question] has proven to be intolerable simply in defying practical workability; whether the rule is subject to a kind of reliance that would lend a special hardship to the consequences of overruling and add inequity to the cost of repudiation; whether related principles of law have so far developed as to have left the old rule no more than a remnant of abandoned doctrine; or whether facts have so changed, or come to be seen so differently, as to have robbed the old rule of significant application or justification.<sup>202</sup>

Hence, the Court has made explicit that *stare decisis* is a flexible doctrine; it is not “inexorable command”<sup>203</sup>

But even when the Court is not overruling its precedent and purports to be following precedent faithfully, *stare decisis* is a very flexible tool to shape the law. This is because of the tool of “precedent vitality.” Supreme Court opinions vary in their vitality. Hanford and Spriggs write, “[s]ome precedents are more legally authoritative than others and thus have an enhanced ability to justify and legitimize the justices’ policy choices.”<sup>204</sup> But it is not the age of the precedent that determines its vitality or even particularly the factors mentioned by the Court in *Planned Parenthood* for overruling a case.<sup>205</sup> Rather, Hanford and Spriggs argue that “the vitality of precedent . . . derive[s] from the Supreme Court’s interpretation of it in other cases.”<sup>206</sup> Hence, while appearing to apply its precedent faithfully, the Supreme Court can enhance or decrease the vitality of its precedent in various ways. The Court may apply the rationale of one of its opinions to new facts; it may expand the rationale of one of its opinions; or it may distinguish its precedent or limit it to its particular facts or even ignore a particular case altogether. By these methods, “the decision to interpret precedent is driven by the desire to influence the scope

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<sup>202</sup> *Planned Parenthood of Southeastern Pennsylvania v. Casey*, 505 U.S. 833, 854–55 (1992) (internal citations omitted).

<sup>203</sup> *Burnet v. Coronado Oil & Gas Co.*, 285 U.S. 393, 405 (1932) (Brandeis, J., dissenting).

<sup>204</sup> HANFORD & SPRIGGS II, *supra* note 159 at 23.

<sup>205</sup> *See Planned Parenthood*, 505 U.S. at 854–69.

<sup>206</sup> *See HANFORD & SPRIGGS II*, *supra* note 155, at 24.

and meaning of existing precedent and the goal of legitimizing *new legal policy*.”<sup>207</sup>

This is how the Supreme Court has achieved its patent reform project to favor accused patent infringers. The most common rationale the Court has employed to justify reversing the Federal Circuit is that the circuit court has improperly cabined or disregarded its precedent.<sup>208</sup> But which precedent? The Court carefully selects which precedent to augment and revitalize and which precedent to sap and diminish.

A striking example of precedent vitality in action is in the recent opinion in *Impression Products v. Lexmark*.<sup>209</sup> The Court had two bodies of precedent that appeared to be in conflict. In cases such as the 1917 case, *Motion Picture Patents*, the Court had held that contractual restrictions imposed by patent holders were ineffectual to evade patent exhaustion.<sup>210</sup> In *Motion Picture Patents*, the patent holder had imposed a contract requiring purchasers of its patented film projectors to use the projectors only with its separately sold film reels.<sup>211</sup> When the patent holder brought a patent infringement claim to enforce the licensing restriction, the Court held that the claim must be dismissed because the patent rights were exhausted by the authorized first sale.<sup>212</sup> But in a 1938 case called *General Talking Pictures Corp. v. Western Electric Co.*, the Court reached a contrary result on almost indistinguishable facts.<sup>213</sup> In that case, the plaintiff authorized a third party to make and sell its patented vacuum tube amplifiers, but imposed a contractual restriction that purchasers of the equipment could only use it with amateur radio sets and not in motion picture houses.<sup>214</sup> In this case, the Court held that the patent holder could sue purchasers of the equipment who used it in movie

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<sup>207</sup> See *id.* at 39 (emphasis in original).

<sup>208</sup> See *supra* Section I.B.4.

<sup>209</sup> *Lexmark Int’l, Inc. v. Impression Prod., Inc.*, 816 F.3d 721, 736 (Fed. Cir. 2016) (en banc), *rev’d*, 137 S. Ct. 1523 (2017).

<sup>210</sup> See *Motion Picture Patents v. Universal Film Mfg. Co.*, 243 U.S. 502, 506–07 (cited in *Impression Prods.*, 137 S. Ct. at 1535).

<sup>211</sup> *Id.* at 506.

<sup>212</sup> *Id.* at 516.

<sup>213</sup> See *Gen. Talking Pictures Corp. v. W. Elec. Co.*, 304 U.S. 175, 180–81 (1938).

<sup>214</sup> *Id.* at 179–80.

theatres for patent infringement and that, because the contract imposed a restriction on the use of the equipment, there was no authorized first sale to purchasers who wanted to use it in a movie house.<sup>215</sup>

The Federal Circuit had created a rule that contractual restrictions such as the ones at issue in these cases were effective to evade exhaustion, so long as they did not violate the antitrust laws or constitute patent misuse.<sup>216</sup> This was based, in part, on a statement by the Supreme Court in *Motion Picture Patents* that it was “confirmed in the conclusion which we are announcing” regarding patent exhaustion by the fact that Congress “has enacted a law making it unlawful for any person engaged in interstate commerce ‘to lease or make a sale or contract for sale of goods . . . on the condition, agreement or understanding that the lessee or purchaser thereof shall not use . . . the goods . . . of a competitor . . . .’”<sup>217</sup>

The Supreme Court reversed the Federal Circuit to rule that there was an absolute bar on contracting around patent exhaustion.<sup>218</sup> The Court did so by choosing to revitalize its precedent in *Motion Picture Patents* and cabin its precedent in *General Talking Pictures*. The Court held that *Motion Picture Patents* and its other precedent finding patent exhaustion were not limited to cases involving antitrust violations or patent misuse. Rather, in those cases, “it was the sale of the items, rather than the illegality of the restrictions, that prevented the patentees from enforcing those resale price agreements through patent infringement suits.”<sup>219</sup> And the Court limited its precedent in *General Talking Pictures* on the basis that, in that case “a licensee knowingly made sales *outside* the scope of its license.”<sup>220</sup> Patent exhaustion was evaded only because the patent holder had granted a *pre-sale* restriction to its licensee on whom it was authorized to

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<sup>215</sup> *Id.* at 180.

<sup>216</sup> *See* *Lexmark Int’l, Inc. v. Impression Prod., Inc.*, 816 F.3d 721, 736 (Fed. Cir. 2016) (en banc), rev’d, 137 S. Ct. 1523 (2017).

<sup>217</sup> *Motion Picture Patents*, 243 U.S. at 517 (quoting 38 Stat. at L. 730, chap. 323) (ellipses added).

<sup>218</sup> *See Impression Prods.*, 137 S. Ct. at 1535.

<sup>219</sup> *Id.* at 1533.

<sup>220</sup> *Id.* at 1535 (internal citations and ellipses omitted) (emphasis in original).

sell the patented equipment to.<sup>221</sup> “This does not mean that patentees can use licenses to impose post-sale restraints on purchasers.”<sup>222</sup>

Hence, the Court relies on the flexible tool of *stare decisis* to selectively enhance or diminish the vitality of its precedent in order to pursue the objective of patent law reform.<sup>223</sup> This is why the most common rationale for overruling the Federal Circuit is that the court has disregarded its older precedent.

This raises a final question: which precedent does the Supreme Court rely upon in undertaking this task? The Court often relies on its precedent from the late 1800s and from the early to mid-twentieth century.<sup>224</sup> This is noteworthy because these were two eras of previous Supreme Court patent law reform. Like our current time, the late 1800s was a time when there was also a perception that a “patent thicket” was impeding innovation because non-practicing entities were asserting patents against the railroads and against farmers.<sup>225</sup> When Congress failed to act, the Supreme Court “demonstrated a willingness to embrace the arguments advanced by railroads and their liberal supporters.”<sup>226</sup> During this time the courts fashioned equitable doctrines to aid defendants, such as patent misuse, inequitable conduct, laches, the bar to patentability caused by secret sales,<sup>227</sup> patent exhaustion,<sup>228</sup> and the

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

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

<sup>223</sup> See also Ghosh, *supra* note 33, at 352 (“Upholding a precedent set by a recognized anti-patent justice reveals the fault lines in how the Court views patent law (not to mention differences of opinion as to precedent more broadly, a subject worthy of separate investigation.)” (discussing *Kimble v. Marvel Entm’t*, 135 S. Ct. 2401, 2413 (2015), upholding *Brulotte v. Thys Co.*, 85 S. Ct. 176 (1965)).

<sup>224</sup> See sources cited *supra* note 102.

<sup>225</sup> See Beauchamp, *supra* note 165 at 935 (“[I]nstead of the sometimes awkward alliance between Silicon Valley giants and hacker activists, the nineteenth century offered railroad companies and farmers.”); STEVEN W. USSELMAN, REGULATING RAILROAD INNOVATION 101, 169 (2002) (describing the patent thicket problems incurred by railroads in the late 1800s); Colleen V. Chien, *Holding Up and Holding Out*, 21 MICH. TELECOMM. & TECH. L. REV. 1, 10 (2014) (“In the late 1800s, for example, patent ‘sharks’ became infamous for using patents to demand payments from farmers for articles the farmers had purchased.”) (internal citations omitted).

<sup>226</sup> USSELMAN, *supra* note 225 at 169.

<sup>227</sup> See Beauchamp, *supra* note 165 at 913.



reverse doctrine of equivalents.<sup>229</sup> Similarly, the early to mid-twentieth century was another period of common law patent reform, when the courts were mistrustful of patent “monopolies” and strengthened patent misuse, antitrust, and exhaustion remedies as well as invigorating the obviousness bar.<sup>230</sup>

The fact that the Supreme Court is hearkening back to these eras of common law equitable reform helps to explain the other common rationales discussed above for overruling the Federal Circuit.<sup>231</sup> Flexible standards, such as the four factors for considering injunctive relief or the broad range of acceptable rationales for declaring a patent obvious, are more akin to equity than law and provide more discretion to the district court.<sup>232</sup> And rather than allowing the Federal Circuit to create special rules for patent law, the Court seeks to impose broader, equitable principles applicable to all federal cases.<sup>233</sup>

### III. THE MISUNDERSTANDING BETWEEN THE SUPREME COURT AND THE FEDERAL CIRCUIT

So how does one win a patent case at the Supreme Court? The ideal petition for certiorari will seek to reverse the Federal Circuit on some combination of the arguments that (1) the Federal Circuit failed to grant sufficient discretion to the district court, (2) perhaps by imposing a rigid inflexible rule that was (3) a special rule for patent law.<sup>234</sup> But the most effective petition will locate a dusty old Supreme Court case from prior to the 1982 creation of the Federal

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<sup>228</sup> Samuel F. Ernst, *Patent Exhaustion for the Exhausted Defendant: Should Parties be able to Contract Around Exhaustion in Settling Patent Litigation?* 2014 J.L., TECH. & POL’Y 445, 451 (2014).

<sup>229</sup> Samuel F. Ernst, *The Supreme Court Case that the Federal Circuit Overruled*, 68 SYRACUSE L. REV. 53, 55–61 (2018).

<sup>230</sup> See Nard, *supra* note 101 at 72 (“The 1930s and 1940s witnessed the emergence of what was perceived to be an anti-patent bias on the Supreme Court. During this time, the Court approached patents with a great deal of suspicion, emphasizing their monopolistic and social-cost aspects.”).

<sup>231</sup> See *supra* Sections I.B1–3.

<sup>232</sup> See *supra* Sections I.B1–2.

<sup>233</sup> See *supra* Section I.B.3.

<sup>234</sup> See *supra* Sections I.B.1–3.

Circuit or even prior to the 1952 passage of the Patent Act and argue that the Federal Circuit has disregarded this precedent.<sup>235</sup>

All of this is highly antithetical to the original mission and purpose of the Federal Circuit as perceived by its stakeholders and early judges. In the words of Judge Marion T. Bennett, the Federal Circuit was created during a period of economic recession because “technological innovation was being impeded by the lack of uniformity in application of the patent laws.”<sup>236</sup> The problem, according to Judge Bennett, was that the regional circuits were not only failing to interpret the patent laws with uniformity, but were also weakening patent rights: “Some of the regional circuit courts, expressing strong feelings about the dangers of monopoly and having a low regard for the expertise of the Patent Office, tended not to give any deference to the administrative examination process and invalidated many patents.”<sup>237</sup> Judge Pauline Newman has written that “[t]he proposal to reorganize the federal judicial structure arose not from abstraction or ideology, but from the practical urgency of recovering the incentive that can be provided by an effective patent system.”<sup>238</sup>

Added to this was a strong feeling, advocated by Judge Rich, that the courts should decide patent questions by interpreting the 1952 Patent Act and not by retreating to judicial opinions from prior to the passage of the statute. Judge Rich wrote, “[p]ick up any elementary work on statutory construction and it will tell you that the end and object of all construction is to find and enforce the intention of the legislature.”<sup>239</sup> For example, Judge Rich objected to judicial opinions that disregarded the new statutory non-obviousness requirement, “*one of the two major changes or innovations in the statute,*” to return to what he considered the

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<sup>235</sup> See *supra* Section I.B.4.

<sup>236</sup> Marion T. Bennett, *The United States Court of Appeals for the Federal Circuit — Origins*, in *THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT: A HISTORY: 1900–2002*, at 10 (2002).

<sup>237</sup> *Id.* at 228.

<sup>238</sup> Pauline Newman, *The Court of Appeals for the Federal Circuit, After Three Decades*, 23 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 553, 555 (2013).

<sup>239</sup> Giles R. Rich, *Congressional Intent — Or, Who Wrote the Patent Act of 1952?*, in *PATENT PROCUREMENT AND EXPLOITATION: PROTECTING INTELLECTUAL PROPERTY RIGHTS* 61 (BNA Inc. 1963).

vague and standardless “invention” requirement developed over the centuries and originating in nineteenth century Supreme Court precedent.<sup>240</sup> In 1983, one year after the Federal Circuit’s founding, the first Chief Judge of the court, Howard T. Markey, wrote a law review article called *Why Not the Statute?*<sup>241</sup> This article represents a *cri de guerre* to judges and practitioners to follow the statute at the expense of court opinions. “There is no common law of patents,” wrote Judge Markey.<sup>242</sup> “[W]hen it comes to patent cases, the statute is the law – and court opinions containing language and concepts contrary to the statute are unlawful.”<sup>243</sup> Not so, says the Supreme Court: “the 1952 Patent Act was primarily intended to codify existing law.”<sup>244</sup>

In sum, the early stakeholders and judges of the Federal Circuit appeared to view the court’s mission as bringing uniformity to patent law and strengthening patent rights by imposing definite rules to replace outdated, vague judicial standards and provide guidance to the district court. The Supreme Court’s twenty-first century patent law decisions conflict with this mission on all fronts. The Supreme Court is demanding that the Federal Circuit refrain from imposing rigid rules and instead rely on flexible standards that are faithful to the Supreme Court’s pre-1952 precedent, grant the district courts wide discretion, and favor accused infringers. It is no wonder that the Supreme Court reverses or vacates the Federal Circuit in nearly 75% of the patent cases it hears.

#### CONCLUSION

Over the past twenty years, the Supreme Court has been engaged in a project of judicial patent litigation reform to favor

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<sup>240</sup> Rich, *supra* note 121, at 861–64 (emphasis in original); *see supra* Section I.B.4. *See also* David O. Taylor, *Patent Reform, Then and Now*, (SMU Dedman Sch. of Law Legal Research Paper No. 400), <https://ssrn.com/abstract=3212821> (July 12, 2018) (describing Judge Rich’s lectures in which “he sought to rebut the idea that the Act merely codified the invention requirement rather than eliminate it.”).

<sup>241</sup> Howard T. Markey, *Why Not the Statute?*, 65 J. PAT. OFF. SOC’Y 331 (1983).

<sup>242</sup> *Id.* at 331.

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

<sup>244</sup> *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods.*, 137 S. Ct. 954, 968 (2017) (Breyer, J., dissenting).

accused infringers. The Court has achieved this largely by reinvigorating the vitality of its precedent from eras prior to the passage of the 1952 Patent Act when it was engaged in similar projects of patent law reform. This project directly conflicts with the Federal Circuit's perceived purpose of interpreting the 1952 Act in order to create clear rules to guide the district courts, bring uniformity to patent law, and strengthen patent rights.