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## Article

### Formalism and Antiformalism in Patent Law Adjudication: Rules and Standards

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*The United States Court of Appeals for the Federal Circuit exists, at least in part, to achieve goals related to patent law that the Supreme Court singularly failed to achieve. Since the Federal Circuit's inception just over thirty years ago, however, critics have shifted blame for problems with the patent system from the Supreme Court to the Federal Circuit. A common criticism that has gained strength is that the Federal Circuit engages in overly formalistic adjudication in patent cases. One aspect of this criticism is that the Federal Circuit too often creates rules to govern patent law. In this Article, I challenge that critique and defend the Federal Circuit's practice of considering the appropriateness of a rule-based adjudicatory approach to patent law in the context of the present institutional structure. After evaluating the history of the Supreme Court's oversight of the Federal Circuit and assessing normative bases for the use of rules in patent law, this Article suggests a framework for evaluating the appropriate degree of rule-based adjudication in patent law. In short, this Article develops and defends the position that the Federal Circuit's consideration of rule-based adjudication reflects not only the expected but also the preferred practice of a semi-specialized intermediate appellate court whose development of patent law is subject to discretionary review by a generalized court of last resort.*

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# Formalism and Antiformalism in Patent Law Adjudication: Rules and Standards

DAVID O. TAYLOR\*

## I. INTRODUCTION

Critics of the patent system in the United States, prior to formation of the United States Court of Appeals for the Federal Circuit, often focused their criticism on the United States Supreme Court. Sensing an overburdened Supreme Court or, worse, indifference toward patent law and its underlying policies, they criticized the Supreme Court based on the existence of unresolved splits of authority regarding patent law principles among the regional circuit courts of appeals.<sup>1</sup> They viewed the Supreme Court's neglect of the patent system as creating or at least contributing to several problems, including excessive forum shopping, high litigation costs, low quality adjudication, and a lack of certainty and predictability.<sup>2</sup> Moreover, when the Supreme Court did decide patent cases, critics detected an anti-patent bias.<sup>3</sup> In short, regardless of whether the Supreme Court granted or denied certiorari in patent cases, critics found reason to

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<sup>1</sup> See, e.g., Fourth Annual Judicial Conference of the U.S. Court of Customs & Patent Appeals, 77 F.R.D. 63, 92 (1977) (quoting Professor Gambrell's remark that Supreme Court Justices "haven't resolved all the conflicts, obviously, and part of the reason . . . is that they don't handle enough patent related issues in order to get the kind of grasp on them and interest in them that's necessary to provide a monitoring function"); Comm'n on Revision of the Fed. Court Appellate Sys. Structure & Internal Procedures: Recommendations for Change, 67 F.R.D. 195, 371 (1975) ("It is our view that the principal cause of circuit-to-circuit deviations in the patent field stems from a lack of guidance and monitoring by a single court whose judgments are nationally binding. . . . The Supreme Court is just too busy to perform anything even resembling a monitoring function on patent-related issues.").

<sup>2</sup> Fourth Annual Judicial Conference of the U.S. Court of Customs & Patent Appeals, 77 F.R.D. at 77.

<sup>3</sup> This criticism emanated from external critics, as well as the Supreme Court itself. See *Jungersen v. Ostby & Barton Co.*, 335 U.S. 560, 572 (1949) (Jackson, J., dissenting) ("[T]he only patent that is valid is one which this Court has not been able to get its hands on."); Tom Arnold & Jack Goldstein, *Life Under Lear*, 48 TEX. L. REV. 1235, 1257 n.50 (1970) (noting an "antipatent bias of the Supreme Court").

fault the Supreme Court.

Based on the failure of the Supreme Court to resolve divergent authority in the regional circuit courts of appeals, critics for decades sought the creation of a single intermediate appellate court to hear appeals in patent cases.<sup>4</sup> They did so to strengthen the U.S. patent system, foster technological growth and industrial innovation, eliminate forum shopping among the regional courts of appeal, and increase uniformity and reduce uncertainty in substantive patent law.<sup>5</sup> They ultimately succeeded in persuading Congress and the President to establish the Federal Circuit in 1982 and vest it, rather than the regional circuit courts of appeals, with near-exclusive jurisdiction over appeals in patent cases.<sup>6</sup> Thus, now the Federal Circuit exists as a semi-specialized court with nationwide jurisdiction over appeals in patent cases at least in part to achieve goals related to patent law that the Supreme Court singularly failed to achieve.

As a matter of institutional design, however, when Congress and the President created the Federal Circuit, they did not eliminate the Supreme Court's jurisdiction to review the judgments of the Federal Circuit in patent cases.<sup>7</sup> Nonetheless, during the Federal Circuit's first decade, the Supreme Court issued only one writ of certiorari related to substantive patent law to the Federal Circuit, and the Supreme Court affirmed the Federal Circuit's judgment and adopted its reasoning in that case.<sup>8</sup>

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<sup>4</sup> See *Comm'n on Revision of the Fed. Court Appellate Sys. Structure & Internal Procedures: Recommendations for Change*, 67 F.R.D. at 371 (suggesting the "creation of a national court" with "statutory authority to review a meaningful number of patent cases each year"); Wm. Redin Woodward, *A Reconsideration of the Patent System as a Problem of Administrative Law*, 55 HARV. L. REV. 950, 962 (1942) (recognizing "a demand for settling patent appeals in a court with nationwide jurisdiction").

<sup>5</sup> See S. REP. NO. 97-275, at 19 (1981) ("The Committee is concerned that the exclusive jurisdiction over patent claims of the new Federal Circuit not be manipulated. This measure is intended to alleviate the serious problems of forums [sic] shopping among the regional courts of appeals on patent claims by investing exclusive jurisdiction in one court of appeals."); H.R. REP. NO. 97-312, at 20 (1981) ("The establishment of a single court to hear patent appeals was repeatedly singled out by the witnesses who appeared before the Committee as one of the most far-reaching reforms that could be made to strengthen the United States patent system in such a way as to foster technological growth and industrial innovation. The new Court of Appeals for the Federal Circuit will provide nationwide uniformity in patent law, will make the rules applied in patent litigation more predictable and will eliminate the expensive, time-consuming and unseemly forum-shopping that characterizes litigation in the field."); *id.* at 23 ("[T]he central purpose [in creating the Federal Circuit] is to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist[ed] in the administration of patent law.").

<sup>6</sup> See Federal Courts Improvement Act, Pub. L. No. 97-164, 96 Stat. 25 (1982) (establishing the Federal Circuit).

<sup>7</sup> See 28 U.S.C. § 1254(1) (2012) ("Cases in the courts of appeals may be reviewed by the Supreme Court . . . [b]y writ of certiorari granted upon the petition of any party to any civil . . . case . . .").

<sup>8</sup> See *Eli Lilly & Co. v. Medtronic, Inc.*, 496 U.S. 661, 673–74 (1990) (affirming the Federal Circuit's judgment based on its use of a correct interpretation of a statutory exception to infringement). The Supreme Court also issued two writs of certiorari to the Federal Circuit on procedural issues in the

Over time, however, critics have shifted the blame for problems with the patent system from the Supreme Court to the Federal Circuit.<sup>9</sup> Indeed, some commentators now hold the Federal Circuit, rather than the Supreme Court, responsible for problems with the modern patent system.<sup>10</sup> In turn, some now look to the Supreme Court primarily to save the public from misguided patent law developed by the Federal Circuit.<sup>11</sup> In this regard, it is important to recognize that in recent years the Supreme Court has reviewed the Federal Circuit's cases addressing patent law with increased frequency.<sup>12</sup> For several years, moreover, it consistently vacated or reversed the Federal Circuit in patent cases<sup>13</sup> and, even when affirming its

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Federal Circuit's first decade, vacating and remanding in both instances. *See* *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 819 (1988) (vacating the Federal Circuit's decision based on lack of jurisdiction); *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 811 (1986) (vacating the Federal Circuit's judgment due to its failure to address arguments on Federal Rule of Civil Procedure 52(a)).

<sup>9</sup> *See* Rochelle Cooper Dreyfuss, *In Search of Institutional Identity: The Federal Circuit Comes of Age*, 23 BERKELEY TECH. L.J. 787, 789 (2008) (“[O]bservers of the patent system have voiced increasingly vociferous complaints about the state of patent jurisprudence, and by extension about the Federal Circuit.”); Craig Allen Nard & John F. Duffy, *Rethinking Patent Law’s Uniformity Principle*, 101 NW. U. L. REV. 1619, 1621 (2007) (“[S]everal commentators and other legal actors are beginning to place blame for a variety of perceived ills squarely on the Federal Circuit.”).

<sup>10</sup> *See* Donald S. Chisum, *Reforming Patent Law Reform*, 4 J. MARSHALL REV. INTELL. PROP. L. 336, 340 (2005) (summarizing criticisms of the Federal Circuit’s “existence [as] a power appellate court,” including “prone[ness] to erratic and unpredictable decision-making[.] . . . changing the law or making new law without a reasoned and persuasive reason for doing so[.] . . . [and] endangering long term certainty because of its rapid and oscillating development of rules through its case law”). Some critics fault the Federal Circuit generally for problems with the patent system. *See* Paul R. Gugliuzza, *Rethinking Federal Circuit Jurisdiction*, 100 GEO. L.J. 1437, 1441 (2012) (arguing for reconsideration of the Federal Circuit’s jurisdiction based on the assumption that “patent law’s problems can be traced in significant part to the Federal Circuit”); Timothy B. Lee, *How a Rouge Appeals Court Wrecked the Patent System*, ARS TECHNICA (Sept. 30, 2012), <http://arstechnica.com/tech-policy/2012/09/how-a-rogue-appeals-court-wrecked-the-patent-system/> (concluding that the Federal Circuit “wrecked the patent system”). More often, critics fault the Federal Circuit for problems associated with specific patent law issues. *See, e.g.*, Stephen Lindholm, *Marking the Software Patent Beast*, 10 STAN. J.L. BUS. & FIN. 82, 120 n.463 (2005) (“[T]he Federal Circuit was wholly responsible for allowing software patents in the first place . . . .”); David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 MICH. L. REV. 223, 266 (2008) (“[T]he Federal Circuit needs to set forth a more coherent and clear [claim construction] doctrine.”).

<sup>11</sup> *See, e.g.*, John M. Golden, *The Supreme Court as “Prime Percolator”: A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657, 720 (2009) (“By periodically taking on merits review in areas where Federal Circuit decisions may have unduly ossified the law, the Supreme Court can help initiate escapes from suboptimal legal equilibria.”).

<sup>12</sup> *See infra* Part IV.B (describing the history of the Supreme Court’s criticism of the Federal Circuit’s adjudication of patent law cases).

<sup>13</sup> *See, e.g.*, *Quanta Comp., Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 638 (2008) (reversing the Federal Circuit’s decision); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 459 (2007) (same); *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 428 (2007) (same); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 137 (2007) (same); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006) (vacating the Federal Circuit’s decision); *Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 46 (2006) (same); *Merck KGAA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193, 208 (2005) (same); *Holmes Grp., Inc. v.*

decisions, adopted alternative reasoning.<sup>14</sup> And, significantly, in some of the Supreme Court's recent opinions in patent cases, the Court has suggested that the Federal Circuit created improperly rigid rules.<sup>15</sup> Similarly, several law professors have recently criticized the Federal Circuit for engaging in overly formalistic rule-based adjudication in patent cases.<sup>16</sup>

Condemnation of the Federal Circuit's patent law jurisprudence as overly formalistic in the sense of over-use of rules has extended to many patent law doctrines. Critics, for example, have accused the Federal Circuit of adopting a rigid rule governing the question of patent eligibility,<sup>17</sup> and credited the Supreme Court for eliminating the Federal Circuit's rigid rule.<sup>18</sup> Similarly, they have blamed the Federal Circuit for adopting a strict rule making it difficult for patent challengers to prove that an invention is obvious and, therefore, undeserving of patent protection,<sup>19</sup>

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Vornado Air Circulation Sys., Inc., 535 U.S. 826, 834 (2002) (same); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 742 (2002) (same).

<sup>14</sup> See *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2071 (2011) (affirming using alternative reasoning); *Bilski v. Kappos*, 130 S. Ct. 3218, 3231 (2010) (same).

<sup>15</sup> See, e.g., *KSR Int'l Co.*, 550 U.S. at 415 ("We begin by rejecting the rigid approach of the Court of Appeals."); *eBay Inc.*, 547 U.S. at 394 ("[T]he Court of Appeals erred in its categorical grant of . . . relief."); *Festo Corp.*, 535 U.S. at 737-38 ("[W]e disagree with the decision to adopt the complete bar. . . . While this Court has not weighed the merits of the complete bar against the flexible bar in its prior cases, we have consistently applied the doctrine in a flexible way, not a rigid one.").

<sup>16</sup> See generally Dreyfuss, *supra* note 9 (finding that the Federal Circuit has engaged in formalistic case parsing); Timothy R. Holbrook, *Substantive Versus Process-Based Formalism in Claim Construction*, 9 LEWIS & CLARK L. REV. 123 (2005) (advocating that the Federal Circuit abandon its formalistic approach to conform to the Supreme Court's methodology); Timothy R. Holbrook, *The Supreme Court's Complicity in Federal Circuit Formalism*, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 1 (2003) [hereinafter Holbrook, *The Supreme Court's Complicity*] (arguing that the Federal Circuit's formalistic use of rules comes at the cost of fairness); Peter Lee, *Antiformalism at the Federal Circuit: The Jurisprudence of Chief Judge Rader*, 7 WASH. J.L. TECH. & ARTS 405 (2012) [hereinafter Lee, *Antiformalism at the Federal Circuit*] (explaining that the historical formalism of the Federal Circuit in patent adjudication desensitizes the court to the facts of each case); Peter Lee, *Patent Law and the Two Cultures*, 120 YALE L.J. 2 (2010) [hereinafter Lee, *Patent Law and the Two Cultures*] (arguing that the Federal Circuit's formalism creates a disengagement with technology); Lucas S. Osborn, *Instrumentalism at the Federal Circuit*, 56 ST. LOUIS U. L.J. 419 (2012) (arguing that the Federal Circuit's formalistic approach is sub-optimal); Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035 (2003) (asserting that the Federal Circuit's formalistic approach has had a negative impact on innovation and has created a need for reform in the patent system); John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771 (2003) (cautioning that the Federal Circuit must consider other priorities in addition to certainty and predictability).

<sup>17</sup> See, e.g., Robert A. Hulse & Robert R. Sachs, *Making Sense of the Revived Machine-or-Transformation Test in In re Bilski*, 21 INTELL. PROP. & TECH. L.J. 10, 12 (2009) (criticizing the Federal Circuit's "rigid application of the machine-or-transformation test").

<sup>18</sup> See D. Christopher Ohly, *Therasense: Another Case for Rejection of Rigid Rules*, 23 INTELL. PROP. & TECH. L.J. 14, 14 (2011) (using *Bilski* as an example to advocate for the Supreme Court's review of a Federal Circuit ruling).

<sup>19</sup> See, e.g., Lee Petherbridge & R. Polk Wagner, *The Federal Circuit and Patentability: An Empirical Assessment of the Law of Obviousness*, 85 TEX. L. REV. 2051, 2068 (2007) (summarizing

and praised the Supreme Court for rejecting that rule and making it easier to do so.<sup>20</sup> They have faulted the Federal Circuit for creating a presumption that injunctive relief follows a finding of liability for patent infringement,<sup>21</sup> and lauded the Supreme Court for favoring accuracy by eliminating the presumption and injecting discretion into the determination of whether to grant injunctive relief.<sup>22</sup>

These critics, however, largely overlook or ignore the responsibility of the Supreme Court for the Federal Circuit's perceived penchant for rule-based adjudication.<sup>23</sup> Instead, with an apparent goal of eliminating rule-based adjudication, they propose increasingly sweeping reforms focused on the Federal Circuit, its jurisdiction, and its power to develop patent law as a creature of the common law. Some merely suggest that the Federal Circuit confront and eliminate its preference for rule-based adjudication.<sup>24</sup> Others, however, propose diversifying the Federal Circuit's jurisdiction.<sup>25</sup> Still others advocate eliminating the exclusivity of the Federal Circuit's jurisdiction over patent cases.<sup>26</sup> And some recommend giving the U.S. Patent and Trademark Office ("Patent Office") substantive rule-making authority to constrict the Federal Circuit's role in developing a common

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critics of the teaching, suggestion, or motivation ("TSM") test, suggesting that it is an inflexible rule that "causes patents to issue where the combination of preexisting technologies would have been obvious to a person of ordinary skill in the art").

<sup>20</sup> See, e.g., John F. Duffy, *Why Business Method Patents?*, 63 STAN. L. REV. 1247, 1276 (2011) (indicating there were "many reasons [for the Supreme Court] to reject the TSM test"); Natalie Thomas, Note, *Secondary Considerations in Nonobviousness Analysis: The Use of Objective Indicia Following KSR v. Teleflex*, 86 N.Y.U. L. REV. 2070, 2072 n.12 (2011) (supporting the prediction that "[i]n the wake of *KSR* . . . it will be easier to prove patents obvious").

<sup>21</sup> See, e.g., Lee, *Antiformalism at the Federal Circuit*, *supra* note 16, at 410 (describing the presumption as a "syllogistic rule" that "allowed courts to largely ignore factors[,] . . . reduce contextual consideration[,] and truncate legal inquiries").

<sup>22</sup> See, e.g., Dreyfuss, *supra* note 9, at 798–99 (highlighting that in *eBay* the Court "explicitly endorsed a rule of discretion for determining whether to grant injunctive relief," characterizing this development as "striking a different balance between precision and accuracy," and favoring the latter). *But see* Mark P. Gergen et al., *The Supreme Court's Accidental Revolution? The Test for Permanent Injunctions*, 112 COLUM. L. REV. 203, 205–06 (2012) (criticizing *eBay* for its "cataclysmic effect" outside the area of patent law and suggesting that, "[i]n deciding whether to issue injunctions, courts would generally do well by continuing to use the kinds of structured sets of presumptions and safety valves that have characterized traditional equitable practice").

<sup>23</sup> See *infra* Part IV.B (discussing the Supreme Court's policing of rule-based adjudication in the context of patent law).

<sup>24</sup> See Rai, *supra* note 16, at 1115–22 (discussing the limits of formalism).

<sup>25</sup> See Gugliuzza, *supra* note 10, at 1441 (arguing for reconsideration of the Federal Circuit's jurisdiction based on the assumption that "patent law's problems can be traced in significant part to the Federal Circuit").

<sup>26</sup> See Nard & Duffy, *supra* note 9, at 1625 (suggesting that at least one extant circuit court should be empowered to hear patent appeals). *But see generally* S. Jay Plager & Lynne E. Pettigrew, *Rethinking Patent Law's Uniformity Principle: A Response to Nard and Duffy*, 101 NW. U. L. REV. 1735 (2007) (criticizing Professor Nard and Professor Duffy's suggestion).

law governing patents.<sup>27</sup> Some have gone so far as to suggest or, at least question, whether the Federal Circuit should be abolished.<sup>28</sup> What has remained relatively unexplored is why the Federal Circuit has continued to favor rules—that is, the normative basis to favor rules in patent cases—and whether the court should continue at least to consider the appropriateness of rule-based adjudication in patent cases under the present institutional structure.

This Article explores the issue of the proper institutional roles of the Federal Circuit and Supreme Court through the lens of general conceptions of advantages and disadvantages associated with rule-based adjudication on the one hand, and standard-based adjudication on the other hand.<sup>29</sup> Through this lens, this Article studies how the Supreme Court's supervision of the development of patent law has changed over time, and how the Supreme Court should exercise its supervisory powers in the future. In short, this Article evaluates the responsibility of the Supreme Court in policing the Federal Circuit's apparent preference for rule-based adjudication, assesses normative bases for rule-based adjudication in patent law, and suggests a framework for the Federal Circuit and Supreme Court to evaluate the appropriate degree of rule-based adjudication in patent law given the courts' unique abilities and roles.

This Article reaches several fundamental conclusions. First, contrary to the theme of the modern critique of the Federal Circuit, the court is performing its intended role when it considers the usefulness of rules to govern issues in patent law. Second, it is the Supreme Court's role to police the Federal Circuit's understandable preference for rule-based adjudication, and any excessive use of inflexible rules in patent law is at least in part reflective of the Supreme Court's failure to engage in this policing role. Thus, it is important to consider how the Supreme Court can and should engage in this role moving forward. Third, given the reasons for the creation of the Federal Circuit, as well as other justifications for rule-based adjudication in patent law, the Supreme Court should temper its own natural and desirable preference for standard-based adjudication when

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<sup>27</sup> See Rai, *supra* note 16, at 1134 (arguing that Congress should give the Patent Office greater responsibility); Sarah Tran, *Patent Powers*, 25 HARV. J.L. & TECH. 609, 650 (2012) (proposing giving the Patent Office substantive rule-making authority).

<sup>28</sup> See, e.g., Gugliuzza, *supra* note 10, at 1496 (“One possibility is that, after cutting over half of the Federal Circuit’s docket, we simply finish the job by abolishing the court altogether.”).

<sup>29</sup> In this Article, I analyze the battle between rules and standards in patent law adjudication—which may be viewed as a “localized battle” in the larger conflict between formalist and antiformalist schools of jurisprudence. Pierre Schlag, *Formalism and Realism in Ruins (Mapping the Logics of Collapse)*, 95 IOWA L. REV. 195, 224 (2009). Elsewhere I consider another “localized battle” in the larger conflict—the debate over the primacy of precedent and policy in patent law adjudication. See generally David O. Taylor, *Formalism and Antiformalism in Patent Law Adjudication: Precedent and Policy*, 66 SMU L. REV. 633 (2013) (examining the importance of the Federal Circuit and its judges engaging in ongoing policy debate regarding patent law doctrines).

reviewing the decisions of the Federal Circuit. In short, the Federal Circuit's consideration of rule-based adjudication reflects not only the expected but also the preferred practice of a semi-specialized intermediate appellate court whose stewardship of patent law is subject to discretionary review by a generalized court of last resort.

This Article is organized into five parts following this introduction. Part II considers general conceptions of formalism and antiformalism, with particular attention given to the advantages and disadvantages associated with rule-based adjudication and standard-based adjudication. Part III studies the Federal Circuit's tendency to embrace rule-based adjudication. Part IV analyzes the Supreme Court's history of oversight of the Federal Circuit's patent law jurisprudence and the Supreme Court's reputation for rejecting rule-based adjudication in favor of standard-based adjudication. Part V evaluates the respective institutional roles of the Federal Circuit and Supreme Court in the development of patent law, given the current institutional structure and the normative bases for rule-based adjudication in patent law. Finally, Part VI includes some brief concluding remarks.

## II. LEGAL FORMS

General conceptions of formalism and antiformalism provide a lens through which to study the respective roles of the Federal Circuit and the Supreme Court within the modern patent system. This Part considers these general conceptions, with particular attention given to the advantages and disadvantages associated with rule-based adjudication on the one hand and standard-based adjudication on the other hand.

### A. *Formalism and Antiformalism Generally*

Scholars have long analyzed and debated legal *form* separate and apart from legal *substance*.<sup>30</sup> With respect to the form of the law, they contrast formalism on one end of the spectrum with antiformalism on the other end of the spectrum. Classic formalism embraces the view that the law is a scientific system in which legal institutions use rules to dictate correct

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<sup>30</sup> See generally ANTONIN SCALIA, A MATTER OF INTERPRETATION: FEDERAL COURTS AND THE LAW 25 (1997) (stating that the “[t]he rule of law is *about form*” and that textualism is “*of course formalistic!*”); Ronald M. Dworkin, *The Model of Rules*, 35 U. CHI. L. REV. 14, 29 (1967) (describing “legal principles as separate sorts of standards, different from legal rules” in his analysis); Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42 DUKE L.J. 557, 559–68 (1992) (offering an “economic analysis of the extent to which legal commands should be promulgated as rules or standards” and recognizing that “definition of rules and standards commonly emphasize the distinction between whether the law is given context *ex ante* or *ex post*”); Duncan Kennedy, *Form and Substance in Private Law Adjudication*, 89 HARV. L. REV. 1685, 1685–94 (1976) (describing the “formally realizable rule” as the “opposite pole” from a “standard or principle or policy”); Pierre Schlag, *Rules and Standards*, 33 UCLA L. REV. 379, 379–81 (1985) (illustrating distinctions between rules and standards).

outcomes in all cases.<sup>31</sup> As a branch or particular application of formalism, adjudicative rule-formalism is the view that judges should construe positive legal norms as rules such that their future application will be “mechanical and uncontroversial.”<sup>32</sup>

Antiformalism, by contrast, maintains that law is a “means to an end,” where resolution of legal questions turns on views of policies and anticipated effects.<sup>33</sup> Indeed, antiformalism insists that the resolution of legal questions requires or at least permits resort to sources other than the text of a rule.<sup>34</sup> “Antiformalist doctrine thus is ‘realist’ to the extent that it responds to the real-world technical, institutional, and economic context in which [the] law unfolds.”<sup>35</sup> Antiformalism therefore focuses on outcomes and policy objectives while remaining attentive to facts and context.<sup>36</sup> To this end, the antiformalist will look beyond traditional legal authorities and consult empirical and academic studies, or even foreign or international law, to shape domestic policies and resolve disputes.<sup>37</sup> And while adjudicative rule-formalism focuses on the use of rules, adjudication based on antiformalism embraces the use of standards.<sup>38</sup>

The debate over rules and standards may be viewed as a “localized battle” in the larger conflict between formalist and antiformalist schools of jurisprudence.<sup>39</sup> Indeed, rules and standards represent polar opposite approaches to resolving legal questions. This rules-standards dichotomy may be illustrated by contrasting a law that imposes a fine on a driver who exceeds a speed limit, with a law that imposes a fine on a driver who drives at an “excessive speed.”<sup>40</sup> The speed limit, of course, represents the legal rule, while the prohibition on “excessive speed” represents the legal standard. In addition to this simple pedagogical example, most law

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<sup>31</sup> See Richard H. Pildes, *Forms of Formalism*, 66 U. CHI. L. REV. 607, 608–09 (1999) (“To the classical formalists, law meant more: it meant a scientific system of rules and institutions that were *complete* in that the system made right answers available in all cases.”); see also Tun-Jen Chiang, *Formalism, Realism, and Patent Scope*, 1 IP THEORY 88, 90 (2010) (“Stated generally, [classic] formalism is the philosophy that law is a self-contained discipline, and that there is always one ‘correct’ answer to legal problems that can be reached using the internal tools of the discipline, primarily logic, precedent, and rules.”).

<sup>32</sup> Frank I. Michelman, *A Brief Anatomy of Adjudicative Rule-Formalism*, 66 U. CHI. L. REV. 934, 936 (1999).

<sup>33</sup> Sidney W. DeLong, *Placid, Clear-Seeming Words: Some Realism About the New Formalism (With Particular Reference to Promissory Estoppel)*, 38 SAN DIEGO L. REV. 13, 19–20 (2001).

<sup>34</sup> Cass R. Sunstein, *Must Formalism Be Defended Empirically?*, 66 U. CHI. L. REV. 636, 639 (1999).

<sup>35</sup> Lee, *Antiformalism at the Federal Circuit*, *supra* note 16, at 411.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.* at 411–12.

<sup>38</sup> See Kennedy, *supra* note 30, at 1688 (“At the opposite pole from a formally realizable rule is a standard or principle or policy.”).

<sup>39</sup> Schlag, *supra* note 29, at 224.

<sup>40</sup> Kaplow, *supra* note 30, at 560.

students become well acquainted with the two legal forms in their first year of law school. Classic examples of rules include property law's rule against perpetuities and contract law's statute of frauds, while classic examples of standards include tort law's reasonable person standard and contract law's unconscionability standard. It is helpful to think of a rule as any imperative that is capable of determination *ex ante* (before the event in question) and a standard as any imperative that must be assessed *ex post* (after the event).<sup>41</sup> Thus, a speed limit is classifiable as a rule because a driver can determine with reasonable certainty where the line of illegal activity is in advance of driving. Tort law's reasonable person standard is classifiable as a standard because a party cannot be certain whether he or she has acted reasonably until after the events have transpired and a court or jury has weighed the available, admissible evidence regarding the circumstances and reached a conclusion.

Yet, the classification of a legal principle as a rule or a standard is not always straightforward or even possible.<sup>42</sup> In practice, a legal principle that, on its face, appears to be a bright-line rule may, in fact, contain a hidden standard.<sup>43</sup> Indeed, vagueness of one or more terms in an otherwise unequivocal statement can cause an *ex ante* rule to unravel into an *ex post* standard.

As an example from patent law, consider the on-sale bar presently expressed in 35 U.S.C. § 102(a)(1) and (b)(1), which with certain exceptions bars a patent for any claimed invention that was on sale before the effective filing date of the claimed invention.<sup>44</sup> This appears to be a bright-line rule. But what does it mean for an "invention" to be "on sale"? If an idea has not been incorporated into something that is built and tested, for example, can it nevertheless be the subject of an offer for sale? For the

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<sup>41</sup> See *id.* at 559–60 (leading a law and economics analysis by first acknowledging the common conception that rules can be distinguished from standards based on whether an *ex ante* or *ex post* legal determination is possible); cf. Isaac Ehrlich & Richard A. Posner, *An Economic Analysis of Legal Rulemaking*, 3 J. LEGAL STUD. 257, 258 (1974) (defining the difference between a rule and a standard as a function of precision); Kennedy, *supra* note 30, at 1687–88 (describing the quality of "ruleness" as a matter of degree on a continuum of formal realizability).

<sup>42</sup> It is not always clear on the continuum of formal realizability where a rule ends and a standard begins. See Kennedy, *supra* note 30, at 1689 ("The dimensions of generality and formal realizability are logically independent: we can have general or particular standards, and general or particular rules. But there are relationships between the dimensions that commonly emerge in practice."). Indeed, Professor Sunstein has suggested abandoning attempts at categorization and, instead, inquiring as to the degree of formalism that is present and appropriate. See Sunstein, *supra* note 34, at 640 ("The real question is 'what degree of formalism?'"). I adopt this convention below.

<sup>43</sup> Professor Isaac Ehrlich and Judge Richard Posner would describe such a rule as relatively imprecise. See Ehrlich & Posner, *supra* note 41, at 258 ("The difference between a rule and a standard is a matter of degree—a degree of precision.").

<sup>44</sup> 35 U.S.C. § 102(a)(1), (b)(1) (Supp. V 2011). For descriptions of this example, see Craig Allen Nard, *Legal Forms and the Common Law of Patents*, 90 B.U. L. REV. 51, 80–83 (2010), and Thomas, *supra* note 16, at 778–81.

better part of two decades, the Federal Circuit applied a totality-of-the-circumstances approach to determining whether an invention had been placed on sale in such a situation.<sup>45</sup> Inventors, however, faced difficult challenges determining *ex ante* whether in particular circumstances they would be barred from obtaining patents on their inventions.<sup>46</sup> Difficulty in applying a standard often encourages courts to develop assistive rules that cut short the need for a deeper, more fact-intensive inquiry. Thus, out of concern that the Federal Circuit's holistic approach produced too much uncertainty, the Supreme Court eventually replaced the Federal Circuit's totality-of-the-circumstances test with its own, more rule-like, two-part test in *Pfaff v. Wells Electronics*.<sup>47</sup> Such morphing of legal form has led some scholars to make the general observation that, in time, standards may crystallize into rules and rules may dissolve into standards.<sup>48</sup>

#### B. *Advantages and Disadvantages Associated with Rule-Based Adjudication and Standard-Based Adjudication*

The potential of legislatures and courts to articulate a rule or a standard to govern any particular legal issue raises a basic, but important, question. Is one legal form demonstrably superior to the other? In the long-running debate over rules and standards, scholars have repeatedly made the case for one form over the other. When confronted generally with a choice between formalism and antiformalism, however, the debate among academics is not close. The concept of formalism is so disparaged that the term formalism itself is considered by some to be an epithet.<sup>49</sup> But, in the words of Professor Cass Sunstein, "The real question is 'what degree of formalism?' rather than 'formalist or not?'"<sup>50</sup> And to answer this "real

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<sup>45</sup> See, e.g., *Micro Chem., Inc. v. Great Plains Chem. Co.*, 103 F.3d 1538, 1544 (Fed. Cir. 1997) (requiring consideration of all circumstances surrounding the relevant event and weighing of these circumstances against policies underlying the on-sale bar).

<sup>46</sup> Thomas, *supra* note 16, at 778–79.

<sup>47</sup> *Id.* at 780. The test announced by the Supreme Court requires (1) a product to be "the subject of a commercial offer for sale" and (2) "the invention must be ready for patenting." *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998). Notably, after highlighting that the Federal Circuit itself had admitted that its totality-of-the-circumstances test had been criticized as "unnecessarily vague," *id.* at 66 n.11, the Supreme Court explained that its new test would not create "unmanageable uncertainty," *id.* at 67.

<sup>48</sup> See, e.g., Carol M. Rose, *Crystals and Mud in Property Law*, 40 STAN. L. REV. 577, 604 (1988) (observing a "cyclical pattern" in property law); Kathleen M. Sullivan, *Foreword: The Justices of Rules and Standards*, 106 HARV. L. REV. 22, 96–97 (1992) (arguing that "the political valences of rules and standards shift in cycles over time" as the complementary adjudicative form is chosen to countervail the prevailing political position).

<sup>49</sup> See, e.g., Michelman, *supra* note 32, at 934 (indicating that the label "formalist" is "never a term of endearment, to my ear"); Frederick Schauer, *Formalism*, 97 YALE L.J. 509, 511 (1988) (conceding "contemporary aversion to formalism" and advocating for "inspection, rather than . . . a discourse of epithets").

<sup>50</sup> Sunstein, *supra* note 34, at 640.

question,” it is important to consider the advantages and disadvantages associated with rule-based adjudication and standard-based adjudication.

For proponents of rules, rules are fairer. Rules promote fairness through consistency of outcome and equality of treatment under the law.<sup>51</sup> Rules provide determinate answers to legal questions, which allow for predictability that fosters efficient private ordering and investment.<sup>52</sup> Besides predictability, rules may decrease the possibility of error.<sup>53</sup> Indeed, by definition rules cabin judicial discretion<sup>54</sup> and, therefore, may “restrict misguided, incompetent, wicked, power-hungry, or simply mistaken decisionmakers.”<sup>55</sup> Rules encourage impartiality by requiring judges to ignore non-dispositive facts that may lead to bias or favoritism.<sup>56</sup> Rules likewise foster conformity because participants are encouraged to learn the law to avoid violation of it.<sup>57</sup> As Professor Duncan Kennedy put it, “People will miss fewer trains . . . if they know the engineer will leave without them rather than delay even a few seconds.”<sup>58</sup> Rules written by legislative bodies may serve as a device to allocate decision-making authority between Congress and the courts or between courts and an administrative body.<sup>59</sup> Rules developed as part of the common law may similarly allocate decision-making authority between courts and an administrative body as well as between appellate and trial judges. Given the technical nature of disputes arising in patent law, rules can also be seen as decreasing the “cognitive burden” on generalist judges by providing them with shortcuts and rules of thumb that curtail deeper inquiry that requires familiarity not just with patent law, but also with the particular science or engineering field of the patent in question.<sup>60</sup> And for thousands of patent examiners at the Patent Office, many of whom may not even be attorneys, rules may foster uniformity of application and eliminate discretion leading to arbitrary determinations of patentability.

There are, however, common criticisms of rules. “Rules cost more to

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<sup>51</sup> Antonin Scalia, *The Rule of Law as a Law of Rules*, 56 U. CHI. L. REV. 1175, 1178 (1989). Justice Scalia argues that fairness through equality of treatment under the law is more essential to justice than fairness of a particular result. *Id.* Indeed, Justice Scalia is an ardent supporter of formalism based on its ability to constrict the discretion of governmental actors. *See* SCALIA, *supra* note 30, at 25 (“Long live formalism. It is what makes a government a government of laws and not of men.”).

<sup>52</sup> Nard, *supra* note 44, at 79–81. In Justice Scalia’s view, while it may not always be possible to reach a determinate outcome via rules, rules (as opposed to standards) are more likely to keep a judge’s pen within the margins of what the law will tolerate. Scalia, *supra* note 51, at 1186.

<sup>53</sup> Schauer, *supra* note 49, at 539–42.

<sup>54</sup> Chiang, *supra* note 31, at 91; Nard, *supra* note 44, at 87.

<sup>55</sup> Schauer, *supra* note 49, at 543.

<sup>56</sup> Cass R. Sunstein, *Problems with Rules*, 83 CALIF. L. REV. 953, 974–75 (1995).

<sup>57</sup> Kennedy, *supra* note 30, at 1697–98.

<sup>58</sup> *Id.* at 1698.

<sup>59</sup> Nard, *supra* note 44, at 89–90.

<sup>60</sup> Lee, *Patent Law and the Two Cultures*, *supra* note 16, at 25–27.

promulgate” because proper design demands more information earlier in the design process and more time spent enumerating inclusions and exceptions.<sup>61</sup> Even when rules are well crafted, rules are often over- or under-inclusive, leaving a gap between the law’s purpose and its actual effect.<sup>62</sup> Such gaps allow wrongdoers to evade the spirit of a rule by “engaging in conduct that is technically exempted but that creates the same or analogous harms.”<sup>63</sup> “Rules are often shown to be perverse through new developments,” requiring additional expense to keep them contemporary.<sup>64</sup> Furthermore, if one purpose of rules is to cabin discretion, this purpose is frequently frustrated. Rules often require a decision-maker to apply significant discretion in deciding which rule applies to a particular situation.<sup>65</sup> The transparency of discretion may be transferred to opaque entities and driven underground in the form of civil disobedience, non-enforcement, or nullification in response to perceived injustice resulting from the uniform application of a rule.<sup>66</sup>

On the other hand, proponents of standards tout standards as the fairer legal form. Standards permit fairness of outcome by tailoring the law to the facts of each case. Standards are thus attentive to the whole situation and to the particulars.<sup>67</sup> Standards also permit flexibility in the legal system by allowing decision-makers to adapt to changing circumstances.<sup>68</sup> Standards promote accountability regarding the outcome of legal disputes. In particular, unlike rules, which allow a decision-maker to shield himself or herself from criticism with the excuse that he or she was merely following the letter of the applicable rule, standards require a decision-maker to take responsibility for decisions and to provide “a particularized, rational account of how” he or she arrives at those decisions.<sup>69</sup> Consequently, standards also promote transparency and candor, “allowing

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<sup>61</sup> Kaplow, *supra* note 30, at 577.

<sup>62</sup> See Sunstein, *supra* note 56, at 992 (suggesting that rules are very hard to design well because people often lack enough information to craft rules that will produce sufficiently accurate results).

<sup>63</sup> *Id.* at 995.

<sup>64</sup> *Id.* at 993. Designers of rules cannot know the full range of situations to which the rule will be applied. For example, Professor Sunstein observed that the rise of cable television in the 1980s and 1990s revealed a regulatory framework designed for three television networks built on “wildly false assumptions.” *Id.* In the field of patent law, this has been argued to be true especially with regard to defining patent-eligible subject matter. See John F. Duffy, *Rules and Standards on the Forefront of Patentability*, 51 WM. & MARY L. REV. 609, 614 (2009) (arguing that rules defining patent eligibility always fail in the long run because the innovation that spurs changing circumstances renders existing rules obsolete).

<sup>65</sup> Sunstein, *supra* note 56, at 979–80, 985.

<sup>66</sup> See *id.* at 995 (noting how a rule-like, severe sanction for the Clean Air Act’s listed pollutants led the Environmental Protection Agency to stop listing the pollutants).

<sup>67</sup> See *id.* at 999–1000 (arguing that a system of factors “tends to look closely at a wide range of particulars”).

<sup>68</sup> Nard, *supra* note 45, at 92.

<sup>69</sup> *Id.* at 97.

outsiders to debate the merits and persuasiveness of unelected officials' work product.<sup>70</sup> In the realm of patents and intellectual property law, a standard-based approach tailored to particular technologies might also reduce the costs created by uniform, rule-like grants of intellectual property rights.<sup>71</sup>

As with rules, however, there are common criticisms of standards. With standards, there is difficulty in describing relevant factors *ex ante*.<sup>72</sup> Similarly, there is no *a priori* sense of the appropriate weight of criteria.<sup>73</sup> The uncertain nature of standards *ex ante* requires participants to invest more heavily in legal advice in order to help mitigate risk stemming from uncertainty.<sup>74</sup> Standards also cost more to enforce and litigate. Standards increase the amount of time it takes to dispose of disputes, increasing the likelihood of error as evidence decays over time.<sup>75</sup> Moreover, standards invite judges to make findings of fact instead of findings of law, thus invading the natural province of the jury.<sup>76</sup>

In light of these advantages and disadvantages associated with rules and standards, at least one scholar has reached the conclusion that the rules-standards dichotomy has become an irreducible dialectic.<sup>77</sup> From this perspective, one can summarize many of the touted benefits and criticisms of the two forms using a table of contrasting pros and cons.<sup>78</sup> The pros and cons reduce to nothing more than scripted lines in a ritualized dialogue about rules and standards<sup>79</sup>: “*We should adopt a rule because it would be more determinate.*” “*No, a rule would be too mechanical. We should adopt a standard, which allows flexibility.*” “*But, standards aren't flexible; they are merely vague.*”

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<sup>70</sup> *Id.* at 98.

<sup>71</sup> See Michael W. Carroll, *One for All: The Problem of Uniformity Cost in Intellectual Property Law*, 55 AM. U. L. REV. 845, 853, 892–93 (2006) (discussing the problem of intellectual property protection schemes designed for industries that require high levels of protection, thus raising the costs of entry for all market participants regardless of whether such protection is warranted). Whether total cost would be reduced, however, depends upon increased decision-making costs associated with a standard-based scheme.

<sup>72</sup> Sunstein, *supra* note 56, at 998–99.

<sup>73</sup> *Id.* at 999.

<sup>74</sup> Kaplow, *supra* note 30, at 569.

<sup>75</sup> Ehrlich & Posner, *supra* note 41, at 266.

<sup>76</sup> Scalia, *supra* note 51, at 1180–81.

<sup>77</sup> Schlag, *supra* note 29, at 226; *see also* Kennedy, *supra* note 30, at 1710 (“The different values that people commonly associate with the formal modes of rule and standard are conveyed by the emotive or judgmental words that the advocates of the two positions use in the course of debate about a particular issue.”).

<sup>78</sup> Schlag, *supra* note 29, at 226.

<sup>79</sup> *See id.* (charting common patterns in such conversations).

### III. FORMALISM AT THE FEDERAL CIRCUIT

Over the past decade, scholars have revived the classic debate over legal form, but in the context of patent law. The questions they address are generally bipolar: whether patent law should be promulgated as bright-line rules or flexible standards, and whether the Federal Circuit is in fact promulgating bright-line rules or flexible standards. These scholars generally favor standards—at least compared to the degree to which the Federal Circuit has favored rules—and many have dubbed the Federal Circuit as formalist based on the degree to which it appears to favor rules over standards. In short, critics routinely suggest that the Federal Circuit improperly enforces rule-based adjudication. This Part studies the Federal Circuit’s reputation for embracing rule-based adjudication in patent cases and scholars’ criticisms of its approach.

#### A. *The Reputation of the Federal Circuit*

Before considering recent critiques of the Federal Circuit’s use of rules, it is important to recognize that shortly after its formation at least one prominent scholar praised the Federal Circuit for its success in bringing greater predictability to patent law, which at least in part was attributed to its adoption of various rule-like tests.

##### 1. *An Early Assessment*

Almost since the Federal Circuit’s inception, Professor Rochelle Dreyfuss has studied the court and its development of patent law. Five years after the formation of the court, she authored a seminal article analyzing the Federal Circuit’s efforts to make patent law more precise and accurate.<sup>80</sup> In the course of her analysis of precision and accuracy, Professor Dreyfuss commented on the court’s successful use of rules as legal tests to define patent law.<sup>81</sup>

With respect to precision, Professor Dreyfuss explained that “[t]he best measure of precision would be to see whether two courts deciding the same case reach the same result.”<sup>82</sup> She recognized that proponents of the formation of the Federal Circuit thought improving patent law’s precision “would foster technological growth and industrial innovation and would facilitate business planning.”<sup>83</sup> Having studied the Federal Circuit’s cases, she concluded that, at that time, the court had “made strides” in the

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<sup>80</sup> Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1 (1989).

<sup>81</sup> *See id.* at 8, 10–11 (describing the court’s successes in clarifying patent law doctrines using rules).

<sup>82</sup> *Id.* at 8.

<sup>83</sup> *Id.* at 7.

direction of making patent law precise.<sup>84</sup> In particular, she highlighted the success of the court's use of rules to make patentability determinations more precise—using decisions regarding obviousness as her primary example.<sup>85</sup> In this regard she noted that “[b]right line rules, objective criteria, and minimal exceptions may not make for accurate adjudication (the ‘right’ result in every case), but they create a body of law that is easier to apply uniformly and to predict with certainty.”<sup>86</sup> On the other hand, she indicated that the Federal Circuit had not done as well clarifying issues that mainly arise in enforcement proceedings, like the law on monetary damages.<sup>87</sup>

Professor Dreyfuss explained that by “accuracy” she referred to the actual correctness of the results of cases.<sup>88</sup> She measured the Federal Circuit's success striving for accuracy by “evaluat[ing] the extent to which the court has formulated rules that reflect sensitivity to the needs of the technology industry” and “the degree to which the court has attempted to advance what it regards as national policy.”<sup>89</sup> In both senses of accuracy, she ultimately provided examples of ways in which the court had attempted to make patent law more accurate.<sup>90</sup> She concluded that the Federal Circuit's “jurisprudence reveals that the court has begun to make patent law more accurate, precise, and coherent,”<sup>91</sup> and that the court was “moving in the right direction.”<sup>92</sup>

Professor Dreyfuss has expounded upon her view that the quality of decision making by the Federal Circuit should be analyzed, at least in part, based on accuracy and precision.<sup>93</sup> With respect to precision, “the law must be perceived as stable and predictable so that people can conform their behavior to it” and so that “parties can predict the outcome of disputes themselves, [and therefore] resort less frequently to judicial intervention.”<sup>94</sup> As to the relative importance of accuracy and precision, she appears to have come down on the side of precision, indicating that

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<sup>84</sup> *Id.* at 8.

<sup>85</sup> *Id.* at 8–10.

<sup>86</sup> *Id.* at 8.

<sup>87</sup> *See id.* at 11–12 (explaining that the Federal Circuit has not clarified the law governing monetary damages for patent infringement).

<sup>88</sup> *Id.* at 14.

<sup>89</sup> *Id.*

<sup>90</sup> *See id.* at 14–20 (highlighting various Federal Circuit tests as examples of the court's efforts to make patent law more accurate).

<sup>91</sup> *Id.* at 24.

<sup>92</sup> *Id.* at 64.

<sup>93</sup> *See* Rochelle C. Dreyfuss, *Forums of the Future: The Role of Specialized Courts in Resolving Business Disputes*, 61 BROOK. L. REV. 1, 12 (1995) (stating the importance of accuracy and precision).

<sup>94</sup> *Id.* at 12–13.

precision is “more important in some respects.”<sup>95</sup> As she notes, “To achieve precision, however, courts must sometimes sacrifice accuracy to ease of application.”<sup>96</sup>

## 2. *More Recent Assessments*

In later assessments of the Federal Circuit’s performance by Professor Dreyfuss as well as other academics, the Federal Circuit and the goal of precision or predictability have not fared so well. Indeed, in the last ten years academics have repeatedly chastised the Federal Circuit for overuse of rule-based adjudication.

Nearly simultaneously in 2003, shortly after the Supreme Court rejected as too “rigid” a rule developed by the Federal Circuit to provide certainty with respect to the doctrine of equivalents,<sup>97</sup> Professors Arti Rai and John Thomas each commented on the tendency of the Federal Circuit to engage in formalistic rule-based adjudication.<sup>98</sup> Professor Rai recognized that the Federal Circuit seemed to have pursued two anomalous strategies, vigorous de novo review of questions of fact and application of formalist, bright-line rules that leave little room for factual inquiry.<sup>99</sup> She argued that Congress made a mistake in institutional design when it implemented patent reform by focusing on the appellate level.<sup>100</sup> In particular, she identified two deficiencies in the institutional design after the formation of the Federal Circuit: (1) no institution in the patent system has expertise necessary to conduct accurate fact-finding, and (2) “no institution has taken responsibility for elaborating patent law in the fact-specific, policy-oriented manner that the language of the [patent] statute encourages.”<sup>101</sup>

In her scholarship, Professor Rai addressed the normative question whether patent law should be promulgated as bright-line rules or flexible standards,<sup>102</sup> but did so based on the assumption that the adoption of

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<sup>95</sup> See *id.* at 13 (“Thus, while it is desirable for courts to reach the right (accurate) result in every case, reaching reproducible results across the array of cases a court hears is more important in some respects.”).

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

<sup>97</sup> See *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 732 (2002) (indicating that “the clearest rule of patent interpretation, literalism, may conserve judicial resources but is not necessarily the most efficient rule”); *id.* at 738 (rejecting the complete bar to the doctrine of equivalents and noting that “we have consistently applied the doctrine [of equivalents] in a flexible way, not a rigid one”).

<sup>98</sup> See Rai, *supra* note 16, at 1037–41 (critiquing the Federal Circuit’s reliance on rule-based adjudication and advocating for multi-institutional patent reform); Thomas, *supra* note 16, at 772–75 (providing examples of a shift at the Federal Circuit towards rule-based formalism).

<sup>99</sup> Rai, *supra* note 16, at 1037.

<sup>100</sup> *Id.* at 1040.

<sup>101</sup> *Id.* at 1040–41.

<sup>102</sup> See *id.* at 1074 (asserting that substituting bright-line rules for fact-specific standards is unwise as a normative matter).

bright-line rules would not be based on policy considerations.<sup>103</sup> Indeed, while she admitted that “formalism is of course eminently defensible as a normative matter,”<sup>104</sup> she argued that “rule-formalism *that is opaque to policy considerations* . . . is [nonetheless] a poor fit for [the] patent statute.”<sup>105</sup> Her position was largely based on the nature of the patent statute, which in her view suggests that Congress “wanted the courts to engage in relatively wide-ranging interpretation of [its] provisions.”<sup>106</sup>

Importantly for purposes of this Article, Professor Rai criticized two arguments in favor of bright-line rules. She rejected the argument that formalism necessarily reduces decision-making costs, because, depending on the rule adopted, the result may be expensive, such as an overly-permissive rule regarding patent eligibility that results in a “flood of patent applications that will clog the Patent and Trademark Office and court system for years.”<sup>107</sup> She also recognized that while “bright-line rules may increase predictability for future cases, they can upset expectations quite dramatically when they are first enunciated.”<sup>108</sup> Based on these and related arguments, she concluded that rule-based adjudication *without consideration of policy* in the arena of patent law is inappropriate.<sup>109</sup> And while she contended that formalism is a poor fit for the patent statute, Professor Rai concluded that “the Federal Circuit’s approach to decision-making has been decidedly formalist.”<sup>110</sup> Indeed, in her view, “there can be no serious dispute that the Federal Circuit’s jurisprudence is formalist in its orientation.”<sup>111</sup>

Professor Thomas also addressed the Federal Circuit’s bent toward rule-based adjudication in scholarship published the same year as Professor Rai’s article.<sup>112</sup> In his scholarship, Professor Thomas suggested that there is a common theme in the Federal Circuit’s decision making, and that is a movement toward rules rather than standards.<sup>113</sup> He pointed out that, in the beginning, the mission of the Federal Circuit was to eliminate inconsistencies in patent law, but after succeeding on that front the court’s mission became certainty and predictability.<sup>114</sup> He explained the court’s preference for rule-based adjudicative formalism based on the legislative

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<sup>103</sup> *Id.* at 1101–02.

<sup>104</sup> *Id.* at 1115.

<sup>105</sup> *Id.* at 1102 (emphasis added).

<sup>106</sup> *Id.* at 1116.

<sup>107</sup> *Id.* at 1121.

<sup>108</sup> *Id.* at 1174–75.

<sup>109</sup> *Id.* at 1102.

<sup>110</sup> *Id.* at 1103–04.

<sup>111</sup> *Id.* at 1115.

<sup>112</sup> See generally Thomas, *supra* note 16 (cautioning that the Federal Circuit must consider other priorities in addition to certainty and predictability).

<sup>113</sup> *Id.* at 792.

<sup>114</sup> *Id.* at 794.

history surrounding the court's formation, the preference of the patent bar, the desire to simplify complex law, and the goal of providing the Patent Office with easily-administrable rules.<sup>115</sup> As a normative matter, however, he cautioned against rule-based formalism in patent law.<sup>116</sup>

Around the same time, Professor Dreyfuss similarly criticized the Federal Circuit for formalistic citations to precedent and debate over how to construe language in that precedent to the exclusion of consideration of extra-judicial materials including legal and economic scholarship.<sup>117</sup> In the process, she noted her belief that, while “formalism creates bright line rules that are easy for lower courts to apply,” the Federal Circuit’s formalism—construing language in precedent “*to the exclusion of policy considerations*”—does not make it easy for lower courts to apply the law.<sup>118</sup>

Professor Dreyfuss addressed the Federal Circuit’s tilt toward rule-based adjudication in more detail a few years later. After reasserting her earlier conclusion that the Federal Circuit had continued to make patent law “more determinate in that it is easier to predict outcomes,”<sup>119</sup> she noted that “[n]onetheless, observers of the patent system have voiced increasingly vociferous complaints about the state of patent jurisprudence, and by extension about the Federal Circuit.”<sup>120</sup> According to Professor Dreyfuss, “[T]he Supreme Court’s unprecedented activity in the patent arena indicates that it too is concerned about the Federal Circuit’s performance.”<sup>121</sup> The problem, as she sees it, is that—even if precision is more important than accuracy in some respects—the Federal Circuit’s patent law too often favors precision to the detriment of accuracy. She explains that “[t]he Supreme Court’s reversals and vacatur of Federal Circuit opinions can be taken as striking a different balance between precision and accuracy.”<sup>122</sup> In short, the Federal Circuit favors precision

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<sup>115</sup> *Id.* at 794–96.

<sup>116</sup> *Id.* at 796–810.

<sup>117</sup> Rochelle Cooper Dreyfuss, *The Federal Circuit: A Continuing Experiment in Specialization*, 54 CASE W. RES. L. REV. 769, 780–83 (2004).

<sup>118</sup> *Id.* at 778 n.33 (emphasis added).

<sup>119</sup> Dreyfuss, *supra* note 9, at 789. In particular, she cited studies showing that doctrinal developments made the law of non-obviousness “quite predictable,” *id.* at 793 (citing Petherbridge & Wagner, *supra* note 19), that “indeterminacy regarding other major patent law issues, such as infringement, validity, and inequitable conduct, declined,” *id.* (citing Jeffrey A. Lefstin, *The Measure of Doubt: Dissent, Indeterminacy, and Interpretation at the Federal Circuit*, 58 HASTINGS L.J. 1025 (2007)), that claim construction is as determinate as contract interpretation in other circuits, *id.* at 793–94 (same), and that more generally “the judges of the Federal Circuit have, in large part, coalesced around particular interpretations of patentability law and display few ideological differences,” *id.* at 794 (citing John R. Allison & Mark A. Lemley, *How Federal Circuit Judges Vote in Patent Validity Cases*, 10 FED. CIR. B.J. 435 (2001)), which would interfere with the predictability of the court’s decisions.

<sup>120</sup> Dreyfuss, *supra* note 9, at 789.

<sup>121</sup> *Id.* at 791.

<sup>122</sup> *Id.* at 798.

and predictability, which may be achieved more often using rules, while the Supreme Court favors accuracy and therefore more standard-based approaches.<sup>123</sup> And Professor Dreyfuss appears to side with the Supreme Court in terms of the right balance. In her view, the Federal Circuit has not found the right balance between precision and accuracy and therefore between rules and standards.<sup>124</sup>

As to finding the right balance, she has emphasized the tension between predictability and accuracy, “the effort to produce predictable law [and] the goal of generating law that accurately responds to national needs and policies.”<sup>125</sup> As an example of an area in which the Federal Circuit has not found the right balance between predictability and accuracy, and where indeed the court’s efforts to use bright lines rules to enhance predictability have had negative consequences, Professor Dreyfuss pointed to patentability.<sup>126</sup> In her words: “When bright-line rules drive the standard of patentability so low that economists, the Federal Trade Commission, and the National Academies become concerned about impenetrable patent thickets, it is time to reconsider the tradeoffs the court has made, even while acknowledging that it faces a difficult task.”<sup>127</sup>

She concluded that the Supreme Court’s many decisions reversing and remanding cases decided by the Federal Circuit—not just on issues related to patentability—reflect a rethinking of the proper balance between predictability and accuracy, with the Supreme Court giving more emphasis to accuracy.<sup>128</sup> She highlighted *KSR International Co. v. Teleflex Inc.*<sup>129</sup> as an example of a case where the Federal Circuit used a rule to increase predictability—the teaching, suggestion, or motivation to combine (“TSM”) test—and the Supreme Court rejected a rigid application of that rule in order to achieve the right result.<sup>130</sup>

Professors Dreyfuss, Rai, and Thomas are not alone. Most scholars have come to the same conclusion, albeit from different angles. In short, most scholars criticize the Federal Circuit for its perceived penchant for rule-based adjudication. These critics have identified several areas of patent law in which the Federal Circuit has adopted rule-based adjudication

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<sup>123</sup> See *id.* at 797–800 (summarizing a series of Federal Circuit and Supreme Court decisions and concluding that “the problems with the Federal Circuit appear to be largely related to the question of accuracy”).

<sup>124</sup> See *id.* at 800 (discussing the need of the Federal Circuit to find the correct balance between accuracy and precision).

<sup>125</sup> Rochelle C. Dreyfuss, *The Federal Circuit as an Institution: What Ought We to Expect*, 43 LOY. L.A. L. REV. 827, 835 (2010).

<sup>126</sup> *Id.*

<sup>127</sup> *Id.* at 835–36 (footnote omitted).

<sup>128</sup> *Id.*

<sup>129</sup> 550 U.S. 398 (2007).

<sup>130</sup> Dreyfuss, *supra* note 125, at 836.

over standard-based adjudication: subject matter eligibility,<sup>131</sup> claim construction,<sup>132</sup> the written description requirement,<sup>133</sup> the non-obviousness requirement,<sup>134</sup> offer-to-sell type infringement,<sup>135</sup> the doctrine of equivalents and prosecution history estoppel,<sup>136</sup> the common law experimental use defense,<sup>137</sup> antitrust and patent misuse defenses,<sup>138</sup> permanent injunctions,<sup>139</sup> and the entire market value rule.<sup>140</sup> In view of the vast array of these doctrines, consider Professor Timothy Holbrook's apt summary: "The tendency towards crystal rules at the Federal Circuit transcends any particular issues in patent law."<sup>141</sup>

The Federal Circuit, however, has indicated it may be willing to reject rigid rules in favor of flexible standards. A relatively recent en banc opinion by the Federal Circuit in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*,<sup>142</sup> for example, cuts against rule-based formalism on the issue of indirect infringement. In the opinion, the Federal Circuit addressed the law of joint infringement.<sup>143</sup> In prior case law, the Federal Circuit had created a bright-line rule—the so-called "single entity rule"—that one party must perform each and every limitation of a patent claim in order to find inducement of infringement.<sup>144</sup> The court overruled that prior case law, concluding that, for purposes of indirect infringement, multiple entities' actions may be combined to show that each and every limitation of a patent claim is performed.<sup>145</sup> Significantly, the court based its decision

<sup>131</sup> Rai, *supra* note 16, at 1103–07; Thomas, *supra* note 16, at 786–89.

<sup>132</sup> Holbrook, *The Supreme Court's Complicity*, *supra* note 16, at 3; Lee, *Patent Law and the Two Cultures*, *supra* note 16, at 29; Rai, *supra* note 16, at 1090. *But see* Chiang, *supra* note 31, at 89 ("Once we look beyond the rhetoric, the Federal Circuit's jurisprudence is just as flexible and indeterminate as any other area of law. This is particularly true of patent scope.").

<sup>133</sup> Holbrook, *The Supreme Court's Complicity*, *supra* note 16, at 2.

<sup>134</sup> Dreyfuss, *supra* note 9, at 798–99; Holbrook, *The Supreme Court's Complicity*, *supra* note 16, at 3; Lee, *Patent Law and the Two Cultures*, *supra* note 16, at 35–39; Rai, *supra* note 16, at 1050–51; Thomas, *supra* note 16, at 789.

<sup>135</sup> Holbrook, *The Supreme Court's Complicity*, *supra* note 16, at 2.

<sup>136</sup> Dreyfuss, *supra* note 9, at 820–21; Holbrook, *The Supreme Court's Complicity*, *supra* note 16, at 3–5; Lee, *Patent Law and the Two Cultures*, *supra* note 16, at 33–35.

<sup>137</sup> Dreyfuss, *supra* note 9, at 798; Rai, *supra* note 16, at 1103–04.

<sup>138</sup> Rai, *supra* note 16, at 1103–10.

<sup>139</sup> Dreyfuss, *supra* note 9, at 798; Lee, *Patent Law and the Two Cultures*, *supra* note 16, at 39–41.

<sup>140</sup> Dreyfuss, *supra* note 9, at 798.

<sup>141</sup> Holbrook, *The Supreme Court's Complicity*, *supra* note 16, at 2.

<sup>142</sup> 692 F.3d 1301 (Fed. Cir. 2012) (en banc).

<sup>143</sup> *See id.* at 1338 ("[W]hen the acts necessary to give rise to liability for direct infringement are shared between two or more actors, doctrinal problems arise").

<sup>144</sup> *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008); *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1379 (Fed. Cir. 2007); *see also* *NTP, Inc. v. Research in Motion*, 418 F.3d 1282, 1317–18 (Fed. Cir. 2005) (holding that users of an accused system could not infringe method claims in the United States because one step of the method was performed in Canada).

<sup>145</sup> *Akamai Techs., Inc.*, 692 F.3d at 1306.

on its view of the relevant policies<sup>146</sup>: “At the end of the day, we are persuaded that Congress did not intend to create a regime in which parties could knowingly sidestep infringement liability simply by arranging to divide the steps of a method claim between them.”<sup>147</sup>

Similarly, the Federal Circuit also relatively recently eliminated a rule of thumb that it had repeatedly allowed experts to use as a baseline to determine damages in patent cases.<sup>148</sup> Previously, “[t]he 25 percent rule of thumb ha[d] been used to approximate the reasonable royalty rate that the manufacturer of a patented product would be willing to offer to pay to the patentee during a hypothetical negotiation.”<sup>149</sup> The court rejected use of this rule of thumb, concluding that “[e]vidence relying on the 25 percent rule of thumb is . . . inadmissible” under *Daubert v. Merrell Dow Pharmaceuticals, Inc.*<sup>150</sup> and Federal Rule of Evidence 702 “because it fails to tie a reasonable royalty base to the facts of the case at issue.”<sup>151</sup> Thus, the court based rejection of a formalist rule on general legal principles governing expert testimony.

Perhaps the Federal Circuit’s elimination of these bright line rules portends a shift in the court’s willingness to regulate its own preference for formalistic rule-based adjudication. Only time will tell. These cases do show, however, that the Federal Circuit may reject rule-based adjudication based on its own analysis of policy and general legal principles.

#### B. Critics’ Suggested Changes

To the extent that scholars have criticized patent law for excessive use of rule-based tests, most focus their criticisms on the Federal Circuit’s decisions to create or invoke these tests and then propose various changes to eliminate or reduce incentives for the Federal Circuit to make these decisions. Professor Rai, for example, made two main, related arguments for reform. First, she argued that the fact-finding ability of both trial courts and the Patent Office needed to be improved.<sup>152</sup> Second, she argued that “primary responsibility for fact finding—and for law application where the case turns on factual findings rather than elaboration of the law in a manner useful for future cases—should rest with the [Patent Office] and

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<sup>146</sup> See *id.* at 1318 (“While we believe that our interpretation of section 271(b) represents sound policy, that does not mean that we have adopted that position as a matter of policy preference. . . . In these cases, we conclude that it is unlikely that Congress intended to endorse the ‘single entity rule,’ at least for the purpose of induced infringement, . . . which would permit ready evasion of valid method claims with no apparent countervailing benefits.”).

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

<sup>148</sup> *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1315 (Fed. Cir. 2011).

<sup>149</sup> *Id.* at 1312.

<sup>150</sup> 509 U.S. 579, 589 (1993).

<sup>151</sup> *Uniloc USA, Inc.*, 632 F.3d at 1315.

<sup>152</sup> Rai, *supra* note 16, at 1077–101.

the trial courts” rather than the Federal Circuit.<sup>153</sup> She summarizes her thesis nicely: “[T]o the extent that the fact-finding capacity of the inferior decisionmakers has been fortified, it is difficult to justify patent formalism on the grounds that these decisionmakers need to be tightly controlled.”<sup>154</sup>

In Professor Rai’s view, fact-finding by the Federal Circuit is inaccurate and inefficient, and rule-based adjudication is inappropriate for patent law.<sup>155</sup> Therefore, it is not surprising that Professor Rai’s ultimate suggestions are to improve the fact-finding capability at trial courts and then eliminate rule-based adjudication at the Federal Circuit.<sup>156</sup> What is remarkable, however, is that several of the specific proposals noted by Professor Rai have been adopted. Indeed, the fact-finding ability of both trial courts and the Patent Office have improved quite dramatically since 2003.

With respect to the suggestion of improving fact-finding by trial courts, Congress and President Obama enacted a new law “to encourage enhancement of expertise in patent cases among district judges.”<sup>157</sup> This program, the so-called “Patent Pilot Program,” allows judges in certain district courts to take a disproportionate share of the patent cases filed in their districts.<sup>158</sup> Since these judges can semi-specialize in patent law, the hope is that there will be a reduction in the rate of reversals by the Federal Circuit based on claim construction and other patent law issues without negatively impacting the time between filing and trial or summary judgment. Time will tell whether this program increases the confidence of the Federal Circuit in the ability of district courts to engage in complex fact-finding and to apply complex patent law, which could result in reduced rule-based adjudication.

With respect to the suggestion of improving fact-finding at the Patent Office, even more changes have been made. First, the Patent Office has been given authority to set its own fees<sup>159</sup> and a reserve fund has been established to collect fees in excess of the amount Congress appropriates to the Patent Office.<sup>160</sup> Moreover, Congress is not allowed to appropriate funds from this reserve fund for any purpose other than to fund Patent Office activities.<sup>161</sup> Second, the Patent Office has been given responsibility

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<sup>153</sup> *Id.* at 1065–66.

<sup>154</sup> *Id.* at 1122.

<sup>155</sup> *Id.* at 1090–91.

<sup>156</sup> *Id.*

<sup>157</sup> Pilot Program in Certain District Courts, Pub. L. No. 111-349, § 1, 124 Stat. 3674, 3674 (2011).

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

<sup>159</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 10, 125 Stat. 284, 316 (2011) (to be codified at 35 U.S.C. § 41).

<sup>160</sup> *Id.* § 22, 125 Stat. at 336 (to be codified at 35 U.S.C. § 42).

<sup>161</sup> *Id.* There is an ongoing dispute over the legality of recent sequestration of the Patent Office’s funds. See WENDY H. SCHACHT, CONG. RESEARCH SERV., U.S. PATENT AND TRADEMARK OFFICE

to conduct additional post grant proceedings.<sup>162</sup> Third, it has been given more rulemaking authority.<sup>163</sup> Fourth, it has hired a Chief Economist.<sup>164</sup> Given all of these changes, one similarly wonders whether the Federal Circuit will have more confidence in the ability of the Patent Office to engage in complex fact-finding and to apply complex patent law, which could also result in a reduced need for rule-based adjudication in patent law.

While Professor Rai generally limited her delineation of suggestions to ways to improve the fact-finding ability of the Patent Office and trial courts, another avenue to improve patent law adjudication is to improve the Federal Circuit's ability to set policy in the form of the rules and standards it adopts to govern important issues in patent law. One might argue that courts are not the right institution to set policy. There are good reasons supporting this argument, including the institutional limitations and ad hoc nature of litigation. However, as Professor Rai concedes, given the patent statute, Congress appears to have delegated at least some policy-making power to the court system.<sup>165</sup> Thus, another response to criticism of the Federal Circuit's adoption of rules in various circumstances is to improve the ability of the Federal Circuit to determine when rule-based adjudication is appropriate, and to improve the quality of any rules it creates. Yet another response, as this Article suggests, is to focus on the role of the Supreme Court to police excess rule-based adjudication at the Federal Circuit.

Professor Thomas's analysis provided fewer suggestions for change than it did suggestions for caution based on the "potentially unattractive consequences of . . . adjudicative rule formalism."<sup>166</sup> He highlighted dangers associated with the imposition of rules to govern all of the innovation industry when "it may be desirable to tailor patent doctrine to

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APPROPRIATIONS PROCESS: A BRIEF EXPLANATION 3-4 (2013), available at <http://www.fas.org/sgp/crs/misc/RS20906.pdf>. (noting that there is disagreement over whether fees collected are subject to sequestration).

<sup>162</sup> Leahy-Smith America Invents Act § 6, 125 Stat. at 299 (to be codified at 35 U.S.C. § 321(a)).

<sup>163</sup> The America Invents Act gives the Patent Office some authority to engage in rule-making, including arguably some substantive rule-making authority. See *id.* § 10, 125 Stat. at 316 ("The Director [of the Patent Office] may set or adjust by rule any fee established, authorized, or charged under title 35, United States Code, or the Trademark Act of 1946 . . ."); see also Tran, *supra* note 27, at 620 (noting that the Supreme Court began to restore rule-making power to the Patent Office in 1999). But even if the Patent Office were given extensive substantive rule-making authority, it seems likely that it would favor rule-like tests rather than standard-like tests to govern the activities of its patent examiners, which number in the thousands.

<sup>164</sup> See *Office of Chief Economist*, U.S. PATENT & TRADEMARK OFF., <http://www.uspto.gov/ip/officechiefecon/index.jsp> (last modified Aug. 5, 2013) ("The USPTO established the Office of the Chief Economist (OCE) in March 2010.").

<sup>165</sup> Rai, *supra* note 16, at 1041.

<sup>166</sup> Thomas, *supra* note 16, at 797.

the ever-changing conditions of different industries.”<sup>167</sup> He raised the possibility that the Federal Circuit’s rules may actually increase the burdens on the Patent Office, “both in terms of enlarging the number of applications filed and the costs of the administrative process itself.”<sup>168</sup> And he questioned “whether adjudicative rule formalism will achieve its goals of certainty, predictability, and doctrinal stability” given the Federal Circuit’s own difficulty following the rules it has created and sustained.<sup>169</sup> He ultimately concluded that “sound innovation policy and due regard for administrative ramifications, along with a healthy skepticism over whether certainty can be practically achieved, suggests the desirability of more nuanced alternatives” to rule-based adjudication.<sup>170</sup>

Professor Dreyfuss, for her part, has suggested a myriad of reforms “to avoid the need for rules that produce precision but reduce accuracy and quality.”<sup>171</sup> For the moment, I focus on her suggested reforms that do not relate to the Supreme Court’s oversight of the Federal Circuit. In this context, she considers and rejects the ideas of removing exclusive jurisdiction from the Federal Circuit, placing “entrepreneurial judges” who excel at developing new rules” on the Federal Circuit, and giving the Patent Office substantive rule-making authority.<sup>172</sup> She supports the appointment of better judges to the Federal Circuit.<sup>173</sup> But she also advocates attracting “more academically oriented, as opposed to practitioner-oriented, law clerks,” encouraging Federal Circuit judges to visit other courts and judges from other courts to visit the Federal Circuit to improve its culture, and having new Federal Circuit judges attend an orientation program to foster new norms at the Federal Circuit.<sup>174</sup>

As shown, these scholars have proposed various reforms to reduce the Federal Circuit’s apparent penchant for rule-based adjudication in patent law. However, few scholars—besides Professor Dreyfuss, as we shall see—focus on the Supreme Court and its responsibility for policing the Federal Circuit. I turn to that subject next.

#### IV. ANTIFORMALISM AT THE SUPREME COURT

A robust study of formalism by the Federal Circuit must consider the role of the Supreme Court given its status as the nation’s court of last resort. While the Federal Circuit has a reputation as a formalist court

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<sup>167</sup> *Id.* at 799.

<sup>168</sup> *Id.* at 804.

<sup>169</sup> *Id.* at 808.

<sup>170</sup> *Id.* at 810.

<sup>171</sup> Dreyfuss, *supra* note 9, at 804.

<sup>172</sup> *Id.* at 811.

<sup>173</sup> *Id.* at 823–24.

<sup>174</sup> *Id.* at 825.

based on its preference for rules, the Supreme Court has a reputation as an antiformalist alternative by overturning the Federal Circuit on a number of key issues in patent law and, in particular, replacing the Federal Circuit's bright-line rules with more open-ended standards.<sup>175</sup> As will be seen, some scholars have given anecdotal treatment of the Supreme Court's oversight of the Federal Circuit. This Part, however, studies each patent case in which the Supreme Court issued a writ of certiorari to the Federal Circuit and resolved an issue specific to patent law between 1982 and 2012, the first three decades of the Federal Circuit's existence. This Part thus analyzes the Supreme Court's reputation for standard-based adjudication in patent cases and, moreover, its history of policing the Federal Circuit's rule-based adjudication.<sup>176</sup>

#### A. *A Largely Overlooked Area of Study*

There has been surprisingly little academic discourse regarding the role of the Supreme Court in policing the Federal Circuit's perceived penchant for rule-based adjudication. In her scholarship questioning the Federal Circuit's preference for rules over standards, Professor Rai merely suggested "sustained,"<sup>177</sup> "serious,"<sup>178</sup> and "aggressive"<sup>179</sup> review by the Supreme Court in "patent cases that raise not only allocation of power issues but also issues of substantive patent law and policy."<sup>180</sup> In her view, "The Supreme Court's . . . interest in patent law is particularly welcome to the extent that at least some Justices on the Court have indicated an explicit awareness of the need to discipline the Federal Circuit."<sup>181</sup> In his scholarship on the same subject, Professor Thomas did not provide normative direction concerning the responsibility of the Supreme Court to police the Federal Circuit's formalism.<sup>182</sup>

Professor Dreyfuss, in contrast, has studied the relative roles of the Federal Circuit and Supreme Court in creating rules and standards in patent

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<sup>175</sup> See, e.g., Lee, *Patent Law and the Two Cultures*, *supra* note 16, at 42–47 (describing the Supreme Court's holistic approach, which pushes back against the Federal Circuit's formalism).

<sup>176</sup> While this Part studies patent cases passing through the Federal Circuit, the Supreme Court sometimes grants certiorari to other courts and indirectly reviews the Federal Circuit's precedent related to patent law. See, e.g., *Fed. Trade Comm'n v. Actavis, Inc.*, 133 S. Ct. 2223, 2230–38 (2013) (considering Federal Circuit precedent on antitrust issues arising from settlements of patent litigation); *Gunn v. Minton*, 133 S. Ct. 1059, 1063–69 (2013) (considering Federal Circuit precedent regarding federal jurisdiction over state law malpractice claims based on patent issues); *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721, 729–30 (2013) (considering Federal Circuit precedent regarding the effect of covenants not to sue on patent litigation).

<sup>177</sup> Rai, *supra* note 16, at 1102.

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

<sup>179</sup> *Id.* at 1125.

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

<sup>181</sup> *Id.*

<sup>182</sup> Thomas, *supra* note 16, at 808–09.

law. In particular, she has compared the advantages of generalist and specialized courts handling specialized subject matter in terms of the courts' abilities to make the law governing the specialized subject matter more accurate and precise. For example, she has explained that, "[s]ince generalist judges are confronted with the specialty subject matter infrequently, they lack the motivation, experience, and time to develop an understanding of the law."<sup>183</sup> In particular, "[t]hey decide the occasional case based upon a cursory understanding of policy and receive limited feedback on how well they fared."<sup>184</sup> By contrast, the "specialized court's sustained involvement with a field would facilitate superior decisionmaking" because it "would be in a better position to understand when it is appropriate to sacrifice accuracy" for precision and vice versa.<sup>185</sup>

Besides considering the theoretical advantage of the more specialized court in identifying when standards and accuracy should be sacrificed for rules and predictability, Professor Dreyfuss has considered the Supreme Court's role in striking the appropriate balance between precision and accuracy in patent law adjudication. After recognizing that the Federal Circuit has emphasized precision through repeated adoptions of rules in patent cases, she has noted that the Supreme Court's reversals and vacatur of Federal Circuit patent cases have struck "a different balance between precision and accuracy."<sup>186</sup> She highlights, however, that the Supreme Court generally has not paid "enough attention to exert any real influence on patent jurisprudence . . . [and, moreover,] the Court's failure to consider Federal Circuit rulings has fostered reliance interests that potentially make revision of Federal Circuit law [adopting rules] more difficult to accomplish."<sup>187</sup> Thus, she stresses the need for more attention on patent law from the Supreme Court. She recognizes, however, the difficulty the Supreme Court and parties have identifying important cases for Supreme Court review given that "the decision to concentrate disputes in the Federal Circuit means that the likelihood of circuit splits approaches zero."<sup>188</sup> Instead, parties must resort to arguments that Federal Circuit decisions conflict with Supreme Court precedent or old regional circuit decisions.

In terms of solutions to these problems with the Supreme Court's oversight, Professor Dreyfuss considers possible changes both to and

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<sup>183</sup> Rochelle Cooper Dreyfuss, *Specialized Adjudication*, 1990 BYU L. REV. 377, 378.

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

<sup>185</sup> *Id.* (arguing that the specialized court "would be in a better position to understand when it is better to sacrifice accuracy (the 'right' result in every case) for the ease with which bright-line rules can be applied and how to draw the fine distinctions necessary when accuracy is more important than administrative convenience").

<sup>186</sup> Dreyfuss, *supra* note 9, at 798.

<sup>187</sup> *Id.* at 807.

<sup>188</sup> *Id.*

within the current institutional structure. As to the role of the Supreme Court within the current institutional structure, one reform she suggests would be for the Supreme Court to permit the Federal Circuit to reject district court factual determinations outside of the requirement of Federal Rule of Civil Procedure 52 to show clear error.<sup>189</sup> For example, she recommends that the Supreme Court reconsider *Dennison Manufacturing Co. v. Panduit Corp.* and its application of Rule 52 to the Federal Circuit's oversight of factual determinations of district courts in patent cases.<sup>190</sup> Indeed, she has suggested that the Federal Circuit's use of rigid rules in substantive patent law—and their associated sacrifice of flexibility for predictability—results from this application of Rule 52.<sup>191</sup> While the requirement that appellate courts affirm factual findings made by district courts unless they are clearly erroneous makes sense in most circumstances, it is less compelling if an appellate court has a better “grasp of the facts” compared to the district court.<sup>192</sup> And, according to Professor Dreyfuss, “the Federal Circuit’s grasp of the facts was clearly better than the trial court’s” grasp of the facts in *Dennison*.<sup>193</sup>

Thus, in Professor Dreyfuss’s view, the Supreme Court’s opinion in *Dennison*—which fails to address the Federal Circuit’s comparative advantage in fact-finding vis-à-vis non-specialized trial courts—is one of the root causes of the Federal Circuit’s preference for rules in its oversight of the application of patent law by those trial courts. Consider, however, the Federal Circuit’s similar preference for rules in its oversight of the application of patent law by the Patent Office. For example, the TSM rule adopted by the Federal Circuit to govern the non-obviousness inquiry applied not only to trial courts but also to the Patent Office.<sup>194</sup> Compared to the Federal Circuit, however, the Patent Office is even more specialized, particularly with regard to areas of technology.

What explains the Federal Circuit’s use of rules given the Patent Office’s apparent comparative advantage understanding technology? One might attempt to tell a similar story. In particular, in *Dickinson v. Zurko*,<sup>195</sup> the Federal Circuit tried to apply a clearly erroneous standard of review to the Patent Office’s decisions, but—like in *Dennison*—the Supreme Court

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<sup>189</sup> *Id.* at 806.

<sup>190</sup> *Id.* at 813–14 (citing *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 811 (1986) (per curium)).

<sup>191</sup> Rochelle Cooper Dreyfuss, *What the Federal Circuit Can Learn from the Supreme Court—and Vice Versa*, 59 AM. U. L. REV. 787, 797–99 (2010).

<sup>192</sup> *See id.* at 797–98 (stating that Rule 52 applied even though the Federal Circuit had a better understanding of the facts than the trial court did).

<sup>193</sup> *Id.*

<sup>194</sup> *See, e.g., In re Oetiker*, 977 F.2d 1443, 1446–47 (Fed. Cir. 1992) (applying the TSM test to a rejection of a patent application by the Patent Office).

<sup>195</sup> 527 U.S. 150 (1999).

pushed the court down to a more deferential standard of review, in this context the substantial evidence standard.<sup>196</sup> The Federal Circuit wished to apply a less deferential standard, perhaps because the Federal Circuit believes it can just as easily understand technology or perhaps because patent examiners have substantially less experience with patent law.<sup>197</sup> The Supreme Court's rejection of a heightened standard of review in *Zurko*, like in *Dennison*, theoretically might drive the Federal Circuit to rely on more rule-like tests.

So, really, there are two cases creating standards of review more deferential than the Federal Circuit might like. Perhaps *Zurko* is more appropriate than *Dennison*, considering that the Patent Office has some expertise—particularly more experience with technology compared to the trial courts—but it is another instance of the Federal Circuit's not being able to intervene as much as it or others might want given its relative experience and expertise (legal and/or technical) compared to the inferior decision-makers. To test the proposition that *Zurko* may have created a reason for the Federal Circuit to favor rules governing the Patent Office, however, the relevant time period to analyze is the *later* time period *after* the *Zurko* decision,<sup>198</sup> and, as an example, the Federal Circuit applied the TSM test to the Patent Office long before that later time period.<sup>199</sup>

That said, having a semi-specialized appellate court and its potential impact on the selection of the appropriate standard of review of factual determinations, while not accounted for in *Dennison*, was expressly considered in *Zurko*. In particular, the Court rejected the semi-specialized nature of the Federal Circuit as a reason for a more invasive standard of review of decisions of the Patent Office. The Federal Circuit's "comparative expertise, by enabling the Circuit better to understand the basis for the [Patent Office's] finding of fact, may play a more important role in assuring proper review than would a theoretically somewhat stricter standard."<sup>200</sup> In other words, according to the Supreme Court, the Federal Circuit's expertise enabled it to provide better review under the applicable standard; it did not justify making the standard less deferential.<sup>201</sup> But,

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<sup>196</sup> See *id.* at 152–53 (concluding that the Federal Circuit must review findings of fact made by the Patent Office using the standard set forth in the Administrative Procedure Act rather than the clearly erroneous standard).

<sup>197</sup> See *Patent Examiner Positions*, U.S. PATENT & TRADEMARK OFF., <http://www.uspto.gov/web/offices/pac/exam.htm> (last visited Aug. 27, 2013) (lacking a prerequisite for patent examiners to have attended law school). That said, it is less obvious how the relative lack of knowledge of the pertinent *law* would justify a less deferential standard of review regarding *fact-finding*.

<sup>198</sup> While the Supreme Court decided *Dennison* in 1986, it more recently decided *Zurko* in 1999.

<sup>199</sup> See, e.g., *In re Oetiker*, 977 F.2d at 1447 (applying the TSM test to the Patent Office in 1992).

<sup>200</sup> *Zurko*, 527 U.S. at 163.

<sup>201</sup> The Supreme Court also indicated that there does not appear to be any real practical difference between a review for clear error and a review for substantial evidence. *Id.* at 162–63. One might not

regardless, if Professor Dreyfuss is right about *Dennison*, then *Zurko* might be another Supreme Court holding that provides at least some motivation for the Federal Circuit to resort to more rule-like tests governing fact-finding—this time by the Patent Office.

Indeed, according to Professor Dreyfuss, as a result of its obligation to apply Rule 52, the Federal Circuit adopted two approaches in its quest to create more precise patent law: (1) creating rules (“specific analytical techniques”) governing factual questions underlying legal doctrines like the non-obviousness requirement; and (2) “classifying many of the more complex technical issues as questions of law, rather than issues of fact, so that Rule 52 would not bar *de novo* review.”<sup>202</sup> “The Federal Circuit has, in short, efficiently canvassed the ways in which it can bring its expertise to bear on the facts that affect the outcome of technologically complex cases.”<sup>203</sup> As Professor Dreyfuss highlights, the Supreme Court has at least once approved of the second approach (classifying issues as questions of law), but it appears to have real problems with the first approach (creating rules).<sup>204</sup> According to Professor Dreyfuss, “[T]he Supreme Court is busy dismantling the [rules].”<sup>205</sup>

Besides suggesting that the Supreme Court change Rule 52 to account for the Federal Circuit’s expertise and experience,<sup>206</sup> Professor Dreyfuss has suggested that the Federal Circuit write “more accurate and better reasoned” decisions.<sup>207</sup> In this regard, she has criticized the Federal Circuit for “fail[ing] to instill confidence in its decisions [creating rule-like tests] because it rarely tests the accuracy of its positions by trying to explain them” using policy-oriented reasoning.<sup>208</sup> She suggests that the Federal Circuit and the Supreme Court engage in a dialogue, where the Federal Circuit “articulate[s] the theory on which it is relying” and the “policies it is adopting.”<sup>209</sup> While she is “somewhat skeptical about over-reliance on rigid rules,” she does “credit [the Federal Circuit] for taking its role in supervising the lower courts seriously” and suggests that the Supreme Court consider the importance of creating clear and predictable law.<sup>210</sup>

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be able to make a similar statement in the context of the standard of review for *trial courts*’ fact-finding, depending on what one would use to replace a clear-error standard. For example, a simple error standard compared to a clear-error standard would appear to make a substantial difference.

<sup>202</sup> Dreyfuss, *supra* note 191, at 798.

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

<sup>204</sup> Professor Dreyfuss argues that the Federal Circuit’s decision in *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995), *aff’d*, 517 U.S. 370 (1996), to remove claim construction from the hands of juries “created more predictability.” *Id.* at 791–92, 798.

<sup>205</sup> *Id.* at 798.

<sup>206</sup> *Id.* at 799.

<sup>207</sup> Dreyfuss, *supra* note 9, at 814.

<sup>208</sup> *Id.* at 809.

<sup>209</sup> Dreyfuss, *supra* note 191, at 802.

<sup>210</sup> *Id.* at 804.

But, in the meantime, the Federal Circuit might temper its own preference for rules as the means to achieve predictability in favor of “[w]ell-articulated policy.”<sup>211</sup> In sum, if the Federal Circuit could reverse incorrect factual determinations without finding clear error, and if it could write more persuasive opinions, Professor Dreyfuss believes the Federal Circuit would develop a patent law that relies less on rules and more on standards.<sup>212</sup>

Professor Dreyfuss also suggests that the Supreme Court may be able to influence the Federal Circuit’s preference for rule-based adjudication. To do so, however, given resistance by the Federal Circuit, the Court “will likely have to decide a few more cases and write sharply worded opinions that clearly state what it sees as the problems and how it thinks the court should go about correcting them.”<sup>213</sup> She advises that, if the Supreme Court decides that the Federal Circuit is “just one more appellate court,” then the Court “ought to make more explicit the direction that patent law should take.”<sup>214</sup> But, if the Supreme Court decides that the Federal Circuit is a “tribunal with a unique role in shaping patent law,” then the Court “needs to reshape procedural law”—presumably Rule 52—“to take that role into account.”<sup>215</sup> More generally, she also has argued that the Supreme Court needs to “help the Federal Circuit find the ‘sweet spot’ between rigid rules and standards.”<sup>216</sup>

Other than Professor Dreyfuss, Professor John Golden has focused on the Supreme Court’s ability generally to police the development of patent law by the Federal Circuit.<sup>217</sup> Professor Golden, however, has suggested that those dissatisfied with the Federal Circuit’s doctrinal choices—and even those concerned with its formalistic rule-based adjudication—should be wary of Supreme Court intervention.<sup>218</sup> He emphasizes that cost, delay, uncertainty, and lack of predictability result from the Supreme Court’s intervention in patent cases, with the possible result that substantive patent law articulated by the Supreme Court will be worse than that articulated by the Federal Circuit.<sup>219</sup> In particular, he challenges the notion that the Supreme Court is a generalist court, reminds readers that it has no expertise in patent law, suggests that it may be at least as subject to capture as the Federal Circuit, and explains that it may be subject to manipulation

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<sup>211</sup> *Id.* at 805.

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

<sup>213</sup> Dreyfuss, *supra* note 9, at 825.

<sup>214</sup> *Id.* at 828.

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

<sup>216</sup> Dreyfuss, *supra* note 191, at 799.

<sup>217</sup> See Golden, *supra* note 11, at 672–73 (analyzing the Supreme Court’s role with regard to substantive patent law).

<sup>218</sup> *Id.* at 686.

<sup>219</sup> *Id.* at 687–88.

and error.<sup>220</sup>

He identifies two Supreme Court opinions illustrating problems with manipulation and error: *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*<sup>221</sup> and *eBay Inc. v. MercExchange, L.L.C.*<sup>222</sup> Regarding the former, he concludes that it “illustrates (1) the costs in uncertainty and disruption that Supreme Court intervention typically produces and (2) the poor craftsmanship that can mark the Court’s opinions on questions of substantive patent law.”<sup>223</sup> Regarding the latter, he points out how the Court similarly “tripped over problems that the Court did not even recognize existed” and, moreover, “deliver[ed] a complementary blow to the generalist court rationale for Supreme Court review” by mishandling an issue that had to do with a general legal principle rather than a patent law principle.<sup>224</sup>

He points out that, given the lack of intercircuit splits regarding substantive patent law issues, the Supreme Court is unable to choose between alternative doctrinal formulations developed by lower courts.<sup>225</sup> Instead, if it rejects the Federal Circuit’s law, the Court must forge its own new, untested formulation of patent law.<sup>226</sup> Given the Court’s lack of expertise, manipulation and error suggest that the Federal Circuit may be better positioned to lead the development of substantive patent law.<sup>227</sup> Thus, he suggests that “we abandon the vision of the Supreme Court as a source of stability and finality” and instead use the Court to prevent ossification of patent law by having the Court take patent cases in doctrinal areas in which the Federal Circuit has either set forth law too quickly or allowed it to remain untested for too long.<sup>228</sup> In short, “[b]y periodically taking on merits review in areas where Federal Circuit decisions may have unduly ossified the law, the Supreme Court can help initiate escapes from suboptimal legal equilibria.”<sup>229</sup>

Finally, Professor Peter Lee has focused his suggestions on “methodological prescriptions to guide the [Supreme] Court during its chosen interventions.”<sup>230</sup> In particular, he has suggested that “the Supreme Court should be aware of the ‘costly’ nature of broad standards and their

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<sup>220</sup> *Id.* at 688.

<sup>221</sup> 520 U.S. 17 (1997).

<sup>222</sup> 547 U.S. 388 (2006).

<sup>223</sup> Golden, *supra* note 11, at 693.

<sup>224</sup> *Id.* at 693–94.

<sup>225</sup> *Id.* at 700–01.

<sup>226</sup> *See id.* at 701 (explaining that reviewing issues by different circuits allows the courts of appeals to experiment with different rules and provide the Supreme Court with information and options).

<sup>227</sup> *Id.* at 704–05.

<sup>228</sup> *Id.* at 701.

<sup>229</sup> *Id.* at 720.

<sup>230</sup> Lee, *Patent Law and the Two Cultures*, *supra* note 16, at 76.

implications for patent adjudication by generalist judges.”<sup>231</sup> Reflecting his assessment of the effects of the formalistic tendencies of the Federal Circuit, his proposal seeks to guide the Supreme Court “to retain the value of a flexible, holistic approach to patent law while providing guidance to district judges facing highly technical inquiries.”<sup>232</sup>

While these scholars have suggested ways in which the Supreme Court might effectively police rule-based adjudication at the Federal Circuit—a topic I will rejoin shortly—none of these scholars have comprehensively analyzed the Supreme Court’s history of policing rule-based adjudication at the Federal Circuit.<sup>233</sup> I provide this analysis next.

### B. *The Supreme Court’s Policing of Rule-Based Adjudication in Patent Law*

This Section fills a void in the academic discourse by providing a comprehensive analysis of the Supreme Court’s history of policing the Federal Circuit’s adoption of rule-based adjudication in patent cases over the first three decades of the Federal Circuit’s existence. What this analysis shows is that, until recently, the Supreme Court had not engaged in any real effort to police any over-use of rule-based adjudication by the Federal Circuit.

#### 1. *The First Decade: Indifference and Rules*

In the first decade of the Federal Circuit’s existence,<sup>234</sup> the Supreme Court primarily showed indifference—some might say deferential silence—toward the Federal Circuit’s stewardship of the nation’s patent law.<sup>235</sup>

In the first case, *Dennison Manufacturing Co. v. Panduit Corp.*,<sup>236</sup> the Supreme Court did not even review the merits of any issue of patent law decided by the Federal Circuit. The Court primarily just asked the Federal Circuit to explain the basis of its judgment reversing a district court’s

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

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

<sup>233</sup> Professor Holbrook has addressed the Supreme Court’s role with respect to formalism in patent law adjudication and, as a descriptive matter, concluded that the Supreme Court prefers to implement procedural rules rather than alter substantive rules of patent law. Holbrook, *The Supreme Court’s Complicity*, *supra* note 16, at 9.

<sup>234</sup> The first decade spanned from October 1, 1982 to September 30, 1992. Harold C. Petrowitz, *Federal Court Reform: The Federal Courts Improvement Act of 1982—and Beyond*, 32 AM. U. L. REV. 543, 543 (1983).

<sup>235</sup> See John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 SUP. CT. REV. 273, 276–77 (“[N]eglecting the field—or, rather, neglecting the field even more than it already had been—seemed to be the course that the Court was choosing during the first decade of the Federal Circuit’s existence, when the Court’s already low rate of granting certiorari in patent cases declined even further.”).

<sup>236</sup> 475 U.S. 809 (1986) (per curiam).

obviousness determination.<sup>237</sup> In particular, the Court refused to consider, without further analysis by the Federal Circuit, “the complex issue of the degree to which the obviousness determination is one of fact” and therefore the appropriate standard of review of an obviousness determination on appeal.<sup>238</sup> The Supreme Court did, however, include one important comment, that subsidiary determinations of fact made by district courts during an obviousness analysis are subject to Federal Rule of Civil Procedure 52(a).<sup>239</sup> As discussed above, this sentence may have led to overuse of rule-based adjudication by the Federal Circuit in an effort to circumscribe district court decision making.<sup>240</sup>

In the next case, *Christianson v. Colt Industrial Operating Corp.*,<sup>241</sup> the Supreme Court likewise did not review the merits of any issue of *substantive* patent law decided by the Federal Circuit.<sup>242</sup> Nevertheless, *Christianson* is notable because the Court resolved the disputed procedural issue<sup>243</sup> by applying a test that is more like a rule rather than a standard. In particular, the Court held that the Federal Circuit’s appellate jurisdiction should be measured by determining whether a substantial question of patent law is a necessary element of one of the plaintiff’s well-pleaded claims.<sup>244</sup> The Court rejected a more standard-like approach that would fix the Federal Circuit’s jurisdiction by reference to the theories actually presented to the court and jury.<sup>245</sup> The Court thus adopted a test that could be used *ex ante* by parties—at the pleading stage of litigation—to determine whether an appeal would be within the Federal Circuit’s jurisdiction. Indeed, the Court justified its preferred test by indicating it would create uniformity and reduce uncertainty.<sup>246</sup>

In the last case, *Eli Lilly & Co. v. Medtronic, Inc.*,<sup>247</sup> the Supreme

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<sup>237</sup> See *id.* at 811 (“In the absence of an opinion clearly setting forth the views of the Court of Appeals on these matters, we are not prepared to give plenary consideration to petitioner’s claim that the decision below cannot be squared with Rule 52(a). Instead, we grant the petition for certiorari, vacate the judgment, and remand the case to the Court of Appeals for further consideration in light of Rule 52(a).”).

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

<sup>239</sup> See *id.* (“[W]hether or not the ultimate question of obviousness is a question of fact subject to Rule 52(a), the subsidiary determinations of the District Court, at the least, ought to be subject to the Rule.”).

<sup>240</sup> See *supra* Part III.A.2.

<sup>241</sup> 486 U.S. 800 (1988).

<sup>242</sup> See *id.* at 818 (agreeing with the Federal Circuit’s conclusion that it lacked jurisdiction, but disapproving of the Federal Circuit’s decision to examine the merits of the case).

<sup>243</sup> The Court resolved a “jurisdictional battle” between the Federal Circuit and the Seventh Circuit, each of which “adamantly disavowed jurisdiction,” in favor of the Federal Circuit’s more restrictive view of its jurisdiction. *Id.* at 803.

<sup>244</sup> *Id.* at 808–09.

<sup>245</sup> *Id.* at 813–14.

<sup>246</sup> *Id.* at 813.

<sup>247</sup> 496 U.S. 661 (1990).

Court—eight years after the establishment of the Federal Circuit—finally reached the merits of a disputed issue of substantive patent law.<sup>248</sup> Again, notably, the Court adopted a rule-like test rather than a standard. Affirming the Federal Circuit, the Court held that a statutory exception to infringement covers activities related, not just to drugs, but also to medical devices.<sup>249</sup> The Court based this ruling on the literal meaning of the statute even though it found difficulty identifying normative reasons justifying the scope of the exception.<sup>250</sup> The Court pointed out that, had Congress sought to limit the exception to drugs, Congress clearly could have done so using different language.<sup>251</sup> Moreover, by adopting an interpretation covering both drugs and medical devices, the Court eliminated a more difficult line-drawing exercise.

Thus, in this first decade the Supreme Court did not act to reject rule-based adjudication in favor of standard-based adjudication in patent law. Moreover, the Court did not police any preference of the Federal Circuit for rule-based adjudication. The Court reviewed only three patent cases decided by the Federal Circuit during its first decade, and it adopted rule-like tests governing both procedural and substantive issues in the two cases reaching the merits. Indeed, the Supreme Court effectively deferred to the Federal Circuit on practically all matters the entire decade despite the Federal Circuit's resolution of significant patent law disputes and application of rule-based adjudication.<sup>252</sup>

## 2. *The Second Decade: Rules and Standards*

In the second decade of the Federal Circuit's existence,<sup>253</sup> the Court granted certiorari to the Federal Circuit and rendered opinions related to

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<sup>248</sup> See *id.* at 663–64 (outlining the issue of whether activities that normally constituted patent infringement were non-infringing under 35 U.S.C. § 271(e)(1) if they were performed for the purpose of submitting information for consideration by the FDA).

<sup>249</sup> *Id.* at 674.

<sup>250</sup> See *id.* at 668 (“[O]ne must admit that while the provision more naturally means what respondent suggests, it is somewhat difficult to understand why anyone would *want* it to mean that.”); see also *id.* at 669 (“As far as the text is concerned, therefore, we conclude that we have before us a provision that somewhat more naturally reads as the Court of Appeals determined, but that is not plainly comprehensible on anyone’s view . . . . We think the Court of Appeals’ interpretation is confirmed, however, by the structure of the 1984 Act taken as a whole.”).

<sup>251</sup> *Id.* at 667–68.

<sup>252</sup> See, e.g., *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 872, 876–77 (Fed. Cir. 1988) (en banc) (requiring intent to deceive rather than merely gross negligence to find inequitable conduct); *Carella v. Starlight Archery & Pro Line Co.*, 804 F.2d 135, 140 (Fed. Cir. 1986) (“Obviousness cannot be established by combining the teachings of the prior art to produce the claimed invention, absent some teaching, suggestion or incentive supporting the combination.”).

<sup>253</sup> The second decade spanned from October 1, 1992 to September 30, 2002. Petrowitz, *supra* note 234, at 543.

patent law in nine cases.<sup>254</sup> The tests the Court articulated in these nine cases, unlike those articulated in the cases from the first decade of the Federal Circuit's existence, sometimes resembled standards.

a. Rule-Like Tests

In five of the nine cases, the Supreme Court articulated tests that appear more like rules.<sup>255</sup> The earliest example is *Markman v. Westview Instruments, Inc.*,<sup>256</sup> where the Court affirmed the Federal Circuit's holding that courts rather than juries interpret terms in patent claims.<sup>257</sup> The only other option the Court considered, however, was another rule, that juries interpret terms in patent claims.<sup>258</sup> A later example is *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.*,<sup>259</sup> where the Court held that newly developed plant breeds constitute eligible subject matter for purposes of utility patents.<sup>260</sup> In doing so, though, the Court merely upheld the Federal Circuit's decision to adopt this same bright-line rule.<sup>261</sup> Similarly, in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*,<sup>262</sup> the Supreme Court took a rule-based approach to the question of

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<sup>254</sup> I have excluded four patent cases where the Supreme Court granted a petition for a writ of certiorari to the Federal Circuit but did not address any issue of patent law. See *Talbert Fuel Sys. Patents Co. v. Unocal Corp.*, 537 U.S. 802 (2002) (granting the writ of certiorari, vacating the Federal Circuit's judgment, and remanding the case to the Federal Circuit without reaching the merits); *Nelson v. Adams USA, Inc.*, 529 U.S. 460, 463 (2000) (reaching a holding related to due process requirements and not patent law); *Honeywell, Inc. v. Litton Sys., Inc.*, 520 U.S. 1111, 1111–12 (1997) (granting the writ of certiorari, vacating the Federal Circuit's judgment, and remanding the case to the Federal Circuit without reaching the merits); *Izumi Seimitsu Kogyo Kabushiki Kaisha v. U.S. Philips Corp.*, 510 U.S. 27, 28 (1993) (per curiam) (dismissing the writ of certiorari as improvidently granted). I have also excluded a case that was not directed toward patent law, but rather to the Plant Variety Protection Act. See *Asgrow Seed Co. v. Winterboer*, 513 U.S. 179, 181 (1995) (considering the question of whether there is a limit to the quantity of protected, novel seed varieties a farmer can sell to other farmers under an exemption to the Plant Variety Protection Act).

<sup>255</sup> See *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 830 (2002) (applying a rule-based approach to the question of the appropriate scope of the statute governing the Federal Circuit's jurisdiction); *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int'l, Inc.*, 534 U.S. 124, 127 (2001) (holding that newly created plant breeds are eligible to receive utility patent protection); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 647–48 (1999) (holding that Congress exceeded the bounds of its authority in enacting the Patent Remedy Act); *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998) (adopting a two-part test governing the on-sale bar); *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996) (holding that courts, rather than juries, construe patent claims).

<sup>256</sup> 517 U.S. 370 (1996).

<sup>257</sup> *Id.* at 372.

<sup>258</sup> *Id.* Professor Holbrook has noted that the Supreme Court's focus in *Markman* on uniformity and certainty "added support for the Federal Circuit's preference for crystal rules." Holbrook, *The Supreme Court's Complicity*, *supra* note 16, at 7.

<sup>259</sup> 534 U.S. 124.

<sup>260</sup> *Id.* at 127.

<sup>261</sup> *Id.* at 145–46.

<sup>262</sup> 535 U.S. 826 (2002).

the appropriate appellate jurisdiction of the Federal Circuit.<sup>263</sup> Significantly, the Federal Circuit itself had adopted a rule, that an answer with a compulsory counterclaim alleging patent infringement would cause the Federal Circuit to have appellate jurisdiction.<sup>264</sup> The Court held to the contrary and, as a result, merely swapped one rule for another.<sup>265</sup> Thus, out of the five cases adopting rules, the Court's holdings in the three cases named above supply little evidence of a predilection for rules by comparison to the Federal Circuit.

Next, in *Pfaff v. Wells Electronics, Inc.*, the Court rejected the Federal Circuit's totality-of-the-circumstances test governing the statutory on-sale bar.<sup>266</sup> As discussed above, the Federal Circuit adopted this test to govern the question of whether an invention had been placed on sale in circumstances where an idea had not been incorporated into something built and tested.<sup>267</sup> Notably, the Court indicated it was concerned that the Federal Circuit's test produced too much uncertainty.<sup>268</sup> Indeed, given the Federal Circuit's test, inventors faced difficulty determining ex ante whether they would be barred from obtaining patents on their inventions.<sup>269</sup> Thus, in place of the totality-of-the-circumstances test, the Court adopted its own two-part test that—at least relative to a totality-of-the-circumstances test—resembles a rule.<sup>270</sup> The Court's test requires (1) a product to be “the subject of a commercial offer for sale” and (2) a related invention that is “ready for patenting.”<sup>271</sup> As Professor Holbrook recognized, “the Court criticized the Federal Circuit for using a vague standard and, in its place, articulated a *more formalistic* approach.”<sup>272</sup> Nevertheless, it is important to recognize that the “ready for patenting” prong of the Court's test actually is standard-like, given its vague nature, dependency on context, and subjectiveness. Thus, the Court's approach was only marginally more formalistic than the Federal Circuit's approach, at least in the sense of reflecting rule-based adjudication.

The fifth case is *Florida Prepaid Postsecondary Education Expense*

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<sup>263</sup> *Id.* at 830.

<sup>264</sup> See *Aerojet-Gen. Corp. v. Mach. Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736, 738–45 (Fed. Cir. 1990) (en banc) (finding that the Federal Circuit had jurisdiction over appeals from cases involving no claim for infringement but instead a compulsory counterclaim for patent infringement), *overruled by* *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002), as recognized in *Telecomm Technical Servs., Inc. v. Siemens Rolm Commc'ns, Inc.*, 295 F.3d 1249, 1251–52 (Fed. Cir. 2002).

<sup>265</sup> *Holmes Grp., Inc.*, 535 U.S. at 834.

<sup>266</sup> See *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998) (applying instead a two-part test).

<sup>267</sup> See *supra* notes 44–47 and accompanying text.

<sup>268</sup> *Pfaff*, 525 U.S. at 67.

<sup>269</sup> Thomas, *supra* note 16, at 778–79.

<sup>270</sup> *Pfaff*, 525 U.S. at 67.

<sup>271</sup> *Id.*

<sup>272</sup> Holbrook, *The Supreme Court's Complicity*, *supra* note 16, at 8.

*Board v. College Savings Bank*,<sup>273</sup> where the Supreme Court rejected the Federal Circuit's holding that Congress validly abrogated state sovereign immunity for patent infringement.<sup>274</sup> The Court applied what appears to be a rule that, absent proper abrogation of state sovereign immunity by Congress, a state may not otherwise be sued for patent infringement unless the state itself waives sovereign immunity.<sup>275</sup> Given that waiver may be constructive and not just express, however, the reality is that determining whether a state has waived its sovereign immunity often is more akin to a standard-based analysis.<sup>276</sup> In short, like in *Pfaff*, the Court's holding in *Florida Prepaid* can hardly be labeled formalistic in the sense of favoring rules over standards.

In sum, while each of these five cases involved the Supreme Court establishing what appear to be rule-like tests governing legal issues, as shown, two of the five tests involve at least some standard-like analyses. Moreover, only in *Pfaff* did the Supreme Court reject the Federal Circuit's adoption of a standard—yet even in that case the Court adopted a test with standard-like aspects.

#### b. Standard-Like Tests

In the remaining four patent cases, the Supreme Court reversed the Federal Circuit and articulated legal tests more like standards rather than rules.<sup>277</sup> In the earliest, *Cardinal Chemical Co. v. Morton International, Inc.*,<sup>278</sup> the Court rejected the Federal Circuit's practice of vacating and dismissing as moot judgments of invalidity upon affirming judgments of non-infringement.<sup>279</sup> Relying on underlying policy considerations as well as scholarly criticism, the Court rejected any per se rule of mootness in favor of a standard that gives courts discretion to determine, based on the circumstances of any particular case, whether an invalidity claim is moot

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<sup>273</sup> 527 U.S. 627 (1999).

<sup>274</sup> *Id.* at 630.

<sup>275</sup> *See id.* at 647–48 (holding that Congress acted in excess of its authority when it invalidated state sovereign immunity in cases of patent infringement).

<sup>276</sup> *See generally* *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376 (Fed. Cir. 2007) (conducting a waiver analysis and concluding that a state university waived its sovereign immunity by initiating and actively participating in Patent Office proceedings).

<sup>277</sup> *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 738–42 (2002) (“[W]e have consistently applied the doctrine [of prosecution history estoppel] in a flexible way, not a rigid one.”); *Dickinson v. Zurko*, 527 U.S. 150, 152–54 (1999) (holding that the Federal Circuit must abide by the standard of review contained in the Administrative Procedure Act); *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 32 n.6 (1997) (refusing to apply a more rigid rule for prosecution history estoppel); *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 99–103 (1993) (rejecting the Federal Circuit's practice of vacating and dismissing judgments on claims of invalidity whenever it affirmed judgments of non-infringement, but recognizing continued discretion whether to exercise existing jurisdiction).

<sup>278</sup> 508 U.S. 83 (1993).

<sup>279</sup> *Id.* at 102.

after a holding of non-infringement.<sup>280</sup>

Later, in *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*,<sup>281</sup> the Court similarly rejected a bright-line rule in favor of a flexible standard, this one related to the doctrine of equivalents.<sup>282</sup> Rather than establish a rule that any amendment to a patent claim eliminates the ability to rely upon the doctrine of equivalents to prove infringement, the Court held that a court must “probe[] the reasoning behind the Patent Office’s insistence upon a change in the claims” and may prohibit a patentee from relying on the doctrine of equivalents only if the patentee is unable to establish a purpose unrelated to the requirements of patentability.<sup>283</sup> Poignantly, the Court noted that it saw no reason to adopt a “rigid rule” governing the relationship between prosecution history estoppel and the doctrine of equivalents, even if it could provide a brighter line and therefore more certainty and reviewability in this area of patent law.<sup>284</sup> In this regard, however, the Supreme Court’s holding was actually consistent with the holding of the Federal Circuit, which explicitly required inquiry into the reasons for an amendment.<sup>285</sup>

Next, in *Dickinson v. Zurko*, as discussed above, the Supreme Court rejected the Federal Circuit’s view that it should apply the “clearly erroneous” standard when it reviews findings of fact made by the Patent Office.<sup>286</sup> Instead, the Court concluded that judges must apply the less strict standard articulated in the Administrative Procedure Act, which requires a reviewing court to set aside an agency finding found to be

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<sup>280</sup> *Id.* at 99–103. The court expressly recognized that the Federal Circuit had adopted a “uniform practice or rule.” *Id.* at 92 n.12.

<sup>281</sup> 520 U.S. 17 (1997).

<sup>282</sup> *Id.* at 32 & n.6.

<sup>283</sup> *Id.* at 31, 40–41.

<sup>284</sup> *See id.* at 32 (“[W]e see no substantial cause for requiring a more rigid rule invoking an estoppel regardless of the reasons for a change [to claim language].”); *id.* at 32 n.6 (“That petitioner’s rule might provide a brighter line for determining whether a patentee is estopped under certain circumstances is not a sufficient reason for adopting such a rule.”); *id.* at 39 n.8 (“We leave it to the Federal Circuit how best to implement procedural improvements to promote certainty, consistency, and reviewability to this area of the law.”). Professor Holbrook ultimately concludes that the *reasoning* the Court used to adopt the all elements rule and the rebuttable presumption with respect to prosecution history—certainty and public notice—“perhaps further embolden[ed] the Federal Circuit’s efforts” to create bright line rules. Holbrook, *The Supreme Court’s Complicity*, *supra* note 16, at 8. To the extent it did embolden the Federal Circuit, however, the Federal Circuit would have had to ignore the Court’s explicit rejection of a “rigid rule” governing the relationship between prosecution history estoppel and the doctrine of equivalents.

<sup>285</sup> *See* *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1525 (Fed. Cir. 1995) (“Whenever prosecution history estoppel is invoked as a limitation to infringement under the doctrine of equivalents, ‘a close examination must be made as to, not only what was surrendered, but also the reason for such a surrender.’” (quoting *Insta-Foam Prods., Inc. v. Universal Foam Sys., Inc.*, 906 F.2d 698, 703 (Fed. Cir. 1990))), *rev’d*, 520 U.S. 17 (1997).

<sup>286</sup> *Dickinson v. Zurko*, 527 U.S. 150, 152–54 (1999).

“unsupported by substantial evidence.”<sup>287</sup> As a result of this decision, courts effectively must give more deference to factual determinations made by the Patent Office.<sup>288</sup>

Finally, in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*,<sup>289</sup> the Court held that the doctrine of prosecution history estoppel is a flexible, not a complete, bar to the doctrine of equivalents.<sup>290</sup> Because the Court focused on the flexibility of the standard it articulated and criticized the rigidity of the Federal Circuit’s complete bar approach,<sup>291</sup> *Festo* is a favorite example for those who claim the Supreme Court takes a less formalistic view of patent law compared to the Federal Circuit.<sup>292</sup> Nevertheless, as Professor Thomas has recognized, the law the Supreme Court articulated “in fact fell far short of returning to a ‘flexible bar’ standard” and thus “largely vindicates increasingly restrictive Federal Circuit practices regarding the doctrine of equivalents.”<sup>293</sup>

When analyzing the Supreme Court’s four patent cases adopting standards during the Federal Circuit’s second decade, it is important to recognize that the Supreme Court rejected the Federal Circuit’s use of a rule-like test in favor of a standard-like test in only two of the cases—*Cardinal Chemical* and *Festo*.

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In summary, in the second decade of the Federal Circuit’s existence, the Supreme Court adopted rule-like tests in five cases and standard-like tests in four. Moreover, of the five cases adopting rule-like tests, two ultimately allowed for some standard-based adjudication based on the resulting, underlying legal determinations.<sup>294</sup> On the other hand, while the Court rejected bright-line rules embraced by the Federal Circuit in favor of

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<sup>287</sup> *Id.* at 152–53 (quoting 5 U.S.C. § 706(2)(E) (1994)).

<sup>288</sup> Here the Supreme Court rejected an instance of patent law exceptionalism: the idea that patent law may be, or even should be, unique. I return to this topic below in the context of rule-based versus standard-based adjudication. See *infra* Part V.A.1.d. For more recent examples of the Court’s skepticism of patent law exceptionalism, see *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), and *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), where the Court was “interested in conforming patent law to broader legal doctrines and principles.” Lee, *Patent Law and the Two Cultures*, *supra* note 16, at 77–78. For a fundamental examination of the assumptions underlying patent law exceptionalism and its resulting problems, see Oskar Liivak, *Maturing Patent Theory from Industrial Policy to Intellectual Property*, 86 TUL. L. REV. 1163, 1169–76 (2012).

<sup>289</sup> 535 U.S. 722 (2002).

<sup>290</sup> *Id.* at 738–42.

<sup>291</sup> *Id.*

<sup>292</sup> See, e.g., Rai, *supra* note 16, at 1120–21 (citing *Festo* as an example of a case where the Supreme Court applied a more flexible standard compared to a rule used by the Federal Circuit).

<sup>293</sup> Thomas, *supra* note 16, at 786.

<sup>294</sup> *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55 (1998).

flexible standards in *Cardinal Chemical* and *Festo*, the Court did the opposite in *Pfaff*. Thus, the Supreme Court's second decade of review, like the first decade, does not reflect the Supreme Court taking a vigorous stand rejecting rule-based adjudication in favor of standard-based adjudication, but instead indicates an openness to rule-based and standard-based adjudication in appropriate circumstances. Nevertheless, compared to the first decade, the second decade represented a shift at the Supreme Court toward standards and against rules in patent cases. Conversely, "[d]uring the second decade of the Federal Circuit's existence, patent jurisprudence [at the Federal Circuit] ha[d] become increasingly oriented towards simple rules."<sup>295</sup>

### 3. *The Third Decade: An Emerging Systemic Preference for Standards*

While scholars labeled the Federal Circuit as a formalist court at the beginning of its third decade of existence,<sup>296</sup> the Supreme Court did not earn its reputation for rejecting rules in favor of standards in patent cases until later that decade. By the conclusion of the decade, the Court had granted certiorari to the Federal Circuit and rendered opinions related to patent law in fourteen cases.<sup>297</sup> In ten of the fourteen cases, the Court adopted a standard-like test.

#### a. Rule-Like Tests

First consider the four cases adopting rule-like tests.<sup>298</sup> In the earliest case, *Microsoft Corp. v. AT&T Corp.*,<sup>299</sup> the Supreme Court rejected the Federal Circuit's expansive reading of the statute governing infringement

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<sup>295</sup> Thomas, *supra* note 16, at 778.

<sup>296</sup> The third decade was between October 1, 2002 and September 30, 2012. Petrowitz, *supra* note 234, at 543. By 2003, Professors Holbrook, Rai, and Thomas had labeled the Federal Circuit as a formalist court. Holbrook, *The Supreme Court's Complicity*, *supra* note 16, at 2–3; Rai, *supra* note 16, at 1114; Thomas, *supra* note 16, at 777.

<sup>297</sup> I have excluded three patent cases from my count. See *Carlsbad Tech., Inc. v. HIF Bio, Inc.*, 556 U.S. 635, 636 (2009) (resolving a non-patent law issue); *Lab. Corp. v. Metabolite Labs., Inc.*, 548 U.S. 124, 125 (2006) (dismissing writ of certiorari as improvidently granted); *Unitherm Food Sys., Inc. v. Swift-Eckrich, Inc.*, 546 U.S. 394, 397–99 (2006) (resolving a non-patent law issue).

<sup>298</sup> See *Caraco Pharm. Labs., Ltd. v. Novo Nordisk*, 132 S. Ct. 1670, 1675 (2012) (holding that a generic manufacturer sued for patent infringement may counterclaim challenging the accuracy of the description that the brand name manufacturer submitted to the FDA); *Microsoft Corp. v. i4i Ltd.*, 131 S. Ct. 2238, 2250–52 (2011) (holding that clear and convincing evidence is always required to invalidate a patent); *Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 131 S. Ct. 2188, 2192 (2011) (holding that title to federally funded inventions vests in inventors rather than in federal contractors); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 447–59 (2007) (requiring a copy of software supplied from the United States to be combined abroad to form the patented invention for liability to attach under 35 U.S.C. § 271(f)).

<sup>299</sup> 550 U.S. 437 (2007).

by exportation.<sup>300</sup> Based on policy concerns related to the ease of copying software, the Federal Circuit had developed a standard-like test, which in effect meant that sending a single copy of software abroad with the intent that it be replicated abroad invoked liability for each foreign-made copy.<sup>301</sup> Unlike the Federal Circuit, the Court was unwilling to let policy justify outcome; it adopted a rule-based test, which considers a copy of software to have been supplied from the United States only when that copy is “combined abroad to form the patented invention at issue.”<sup>302</sup> The Court bluntly rejected the Federal Circuit’s suggestion that policy should direct statutory interpretation.<sup>303</sup> Ultimately, the Court rejected the Federal Circuit’s standard-like test because it did not find any support in the relevant statute, because of its concern with extraterritoriality, and because it did not view its role as one of dynamically interpreting the relevant statute based on policy-oriented concerns.<sup>304</sup>

In the next case, *Board of Trustees of Leland Stanford Junior University v. Roche Molecular Systems, Inc.*,<sup>305</sup> the Court held that a statute does not automatically vest title to federally funded inventions in federal contractors.<sup>306</sup> Instead, federal contractors must obtain assignments from inventors.<sup>307</sup> Note that while the Court adopted a rule governing the disputed issue, both parties presented competing rules for the Court to adopt, essentially whether or not rights to inventions automatically vest in federal contractors.<sup>308</sup> Moreover, the Court ultimately agreed with the Federal Circuit’s rule on point, that ownership of inventions automatically vests in inventors.<sup>309</sup>

In the third case, *Microsoft Corp. v. i4i Ltd.*,<sup>310</sup> the Court concluded that clear and convincing evidence is required to invalidate a patent.<sup>311</sup> Rather than allow consideration of functional reasons why a lesser amount of evidence might be appropriate in a particular situation—and there are

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<sup>300</sup> *Id.* at 447–59.

<sup>301</sup> *Id.* at 452.

<sup>302</sup> *Id.* at 453.

<sup>303</sup> *See id.* at 457 (“[W]e are not persuaded that dynamic judicial interpretation of [the relevant statutory subsection] is in order.”).

<sup>304</sup> *Id.* at 452–58.

<sup>305</sup> 131 S. Ct. 2188 (2011).

<sup>306</sup> *Id.* at 2192.

<sup>307</sup> *Id.* at 2195–99.

<sup>308</sup> *See id.* (describing and rejecting the petitioner’s reading of the statute).

<sup>309</sup> In this case the Supreme Court recognized a principle of patent law exceptionalism. In the words of the court, “it is often the case that whatever an employee produces in the course of his employment belongs to his employer” but “patent law has always been different.” *Id.* at 2196. Below I address patent law exceptionalism as a basis to support rule-based adjudication. *See infra* Part V.A.1.d.

<sup>310</sup> 131 S. Ct. 2238 (2011).

<sup>311</sup> *Id.* at 2242.

many such reasons<sup>312</sup>—the Court decided that clear and convincing evidence is *always* required.<sup>313</sup> Other than the statutory text, the Court’s primary reason for holding that clear and convincing evidence is always required was its own precedent<sup>314</sup> and the fact that, for nearly thirty years, the Federal Circuit had applied the same rule requiring clear and convincing evidence.<sup>315</sup>

In *Caraco Pharmaceutical Laboratories, Ltd. v. Novo Nordisk*,<sup>316</sup> the Supreme Court held that a generic manufacturer sued for patent infringement by a brand manufacturer may file a counterclaim challenging the accuracy of a description, submitted to the Food and Drug Administration (FDA) by the brand manufacturer, of the scope of the asserted patent.<sup>317</sup> The Court reversed the Federal Circuit’s decision to the contrary based on the context of the relevant statute.<sup>318</sup> Thus, the Court replaced a bright-line rule (a generic manufacturer is not allowed to file a counterclaim seeking to correct an inaccurate description) with another bright-line rule (a generic manufacturer is allowed to file such a counterclaim).

Thus, in only one of these four cases adopting a rule did the Supreme Court reject a standard adopted by the Federal Circuit, but in that case the Supreme Court rejected policy-based justifications for that standard. Moreover, in two of these cases the Supreme Court adopted the very same rule used by the Federal Circuit.

#### b. Standard-Like Tests

Now, consider the ten cases from the third decade of the Federal Circuit’s existence where the Court adopted standard-like tests.<sup>319</sup> The

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<sup>312</sup> See David O. Taylor, *Clear but Unconvincing: The Federal Circuit’s Invalidity Standard*, 21 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 293, 312–18 (2011) (identifying reasons why a preponderance standard of proof may be appropriate in some circumstances).

<sup>313</sup> See *i4i Ltd.*, 131 S. Ct. at 2250–52 (“[T]he challenger[] [has the] burden to persuade the jury of its invalidity defense by clear and convincing evidence . . .”).

<sup>314</sup> See *id.* at 2245 (stating that the decision in *Radio Corporation of America v. Radio Engineering Laboratories, Inc.*, 293 U.S. 1 (1934), “is authoritative”).

<sup>315</sup> *Id.* at 2243, 2251.

<sup>316</sup> 132 S. Ct. 1670 (2012).

<sup>317</sup> *Id.* at 1675.

<sup>318</sup> See *id.* at 1681–84 (“The statutory scheme . . . contemplates that one patented use will not foreclose marketing a generic drug for other unpatented ones. Within that framework, the counterclaim naturally functions to challenge the brand’s assertion of rights over whichever discrete use (or uses) the generic company wishes to pursue.”).

<sup>319</sup> See *Kappos v. Hyatt*, 132 S. Ct. 1690, 1700 (2012) (holding inter alia that a district court has broad discretion over the weight given to new evidence introduced in a civil action challenging the Patent Office’s decision to reject a patent application); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1294 (2012) (holding that patent claims must include an “inventive concept” not to be preempted by the prohibition against patents on natural laws); *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2070–71 (2011) (adopting a standard for inducement of infringement that

earliest example is *Merck KGAA v. Integra Lifesciences I, Ltd.*,<sup>320</sup> in which the Court rejected the Federal Circuit's narrow interpretation of a statutory safe harbor provision that makes certain experimental conduct non-infringing activity.<sup>321</sup> In particular, the Court rejected the Federal Circuit's rule limiting the statutory safe harbor to uses of patented inventions that result in a submission of information to the FDA. Instead, the Court interpreted the safe harbor broadly to cover uses of patented inventions where there was a reasonable basis to believe that the uses would produce types of information that are relevant to the FDA.<sup>322</sup> In this way, the Court built its test upon the classic standard of reasonableness.

Next, consider *Illinois Tool Works Inc. v. Independent Ink, Inc.*<sup>323</sup> In this case, the Court concluded that the existence of a patent on a tying product does not create a presumption of market power for purposes of an allegation of an antitrust violation for illegal tying.<sup>324</sup> Instead, the party alleging an antitrust violation must prove that the patent owner has market power.<sup>325</sup> Thus, the Court replaced a rule (a presumption of market power) and its underlying standard (a patentee may overcome the presumption by showing that it does not have market power), with just a standard (the antitrust claimant must show that the patentee has market power). Significantly, however, the Federal Circuit derived the presumption of market power from Supreme Court precedent.<sup>326</sup> Thus, the Supreme Court's replacement of a rule with a standard in this case speaks little regarding any policing of the Federal Circuit's preference for rules.

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permits a finding of actual knowledge under the doctrine of willful blindness); *Bilski v. Kappos*, 130 S. Ct. 3218, 3229–30 (2010) (rejecting the Federal Circuit's conclusion that the machine-or-transformation test is the exclusive test for determining patent eligibility); *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 621 (2008) (finding that exhaustion applies to method patents and a license authorizing the sale of components that substantially embody the patents in suit); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415 (2007) (rejecting the Federal Circuit's TSM test in favor of an "expansive and flexible approach" to the question of non-obviousness); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (indicating that courts should determine whether the alleged facts suggest that a controversy is real, immediate, and significant before finding declaratory judgment jurisdiction); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (outlining a four-factor test to determine whether to grant injunctive relief); *Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 45–46 (2006) (holding that there is no presumption of market power even when there is a patent for purposes of an allegation of antitrust liability for illegal tying); *Merck KGAA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193, 206–07 (2005) (favoring a broad interpretation of non-infringement statutory safe harbor).

<sup>320</sup> 545 U.S. 193.

<sup>321</sup> *See id.* at 205–08 (“[T]o construe [the statutory provision] as the Court of Appeals did . . . is effectively to limit assurance of exemption to the activities necessary to seek approval of a generic drug. . . . The statutory text does not require such a result.”).

<sup>322</sup> *Id.* at 207.

<sup>323</sup> 547 U.S. 28.

<sup>324</sup> *Id.* at 31.

<sup>325</sup> *Id.* at 46.

<sup>326</sup> *See id.* at 33 (describing the Federal Circuit's adherence to Supreme Court precedent).

Another case in which the Supreme Court overturned the Federal Circuit's use of a rule in favor of a standard is *eBay Inc. v. MercExchange, L.L.C.*<sup>327</sup> In this case, the Court rejected the Federal Circuit's use of a "general rule" that injunctive relief follows an adjudication of infringement.<sup>328</sup> The Court held that there is no presumption in favor of injunctive relief, and instead courts must apply what the Court deemed to be equity's traditional four-factor test.<sup>329</sup> This test requires the patentee to demonstrate:

(1) that it has suffered an irreparable injury; (2) that remedies available at law . . . are inadequate to compensate for that injury; (3) that, considering the balance of hardships . . . a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.<sup>330</sup>

While the Federal Circuit's "general rule" was a classic rule-like shortcut, the Court's four-factor test is a classic standard.

In *MedImmune, Inc. v. Genentech, Inc.*,<sup>331</sup> the Supreme Court yet again rejected a rule developed by the Federal Circuit in favor of a standard.<sup>332</sup> In contrast to the Federal Circuit, the Court determined that it would not require termination or breach of license agreements before licensees would be permitted to request declarations that the licensed patents were invalid, not infringed, or unenforceable.<sup>333</sup> Rather, the Court articulated a standard for determining whether a licensee could establish declaratory judgment jurisdiction—"whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment"<sup>334</sup>—that, as the Court itself conceded, does "not draw the brightest of lines."<sup>335</sup>

The Supreme Court, in *KSR International Co. v. Teleflex Inc.*,<sup>336</sup> rejected the Federal Circuit's rigid application of a rule in favor of a standard-like approach. The Federal Circuit's rule required a party alleging obviousness of a claimed invention under 35 U.S.C. § 103(a) to

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<sup>327</sup> 547 U.S. 388 (2006).

<sup>328</sup> *Id.* at 390–91.

<sup>329</sup> *Id.* at 391.

<sup>330</sup> *Id.*

<sup>331</sup> 549 U.S. 118 (2007).

<sup>332</sup> *See id.* at 135 (rejecting the Federal Circuit's application of the common-law rule providing that a contracting party "cannot at one and the same time challenge its validity and continue to reap its benefits").

<sup>333</sup> *Id.* at 137.

<sup>334</sup> *Id.* at 127 (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)) (internal quotation marks omitted).

<sup>335</sup> *Id.*

<sup>336</sup> 550 U.S. 398 (2007).

satisfy the TSM test.<sup>337</sup> The Court did not mince words in rejecting the Federal Circuit's application of its test as a "rigid approach" contrary to the "expansive and flexible approach" to obviousness reflected in the Court's precedent.<sup>338</sup> Indeed, even after recognizing that "it can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does," the Court criticized the Federal Circuit for converting a "helpful insight" into a "rigid and mandatory formula[.]".<sup>339</sup> Moreover, the Court indicated that the "obviousness analysis cannot be confined by a formalistic conception of the words teaching, suggestion, and motivation."<sup>340</sup> Instead, the Court favored a "functional approach" that involves "a broad inquiry"<sup>341</sup> including consideration of various "secondary considerations," such as "commercial success, long felt but unsolved needs, [and] failure of others."<sup>342</sup>

In *Quanta Computer, Inc. v. LG Electronics, Inc.*,<sup>343</sup> the Supreme Court rejected another bright-line rule adopted by the Federal Circuit, that method patents as a category are not subject to the exhaustion doctrine.<sup>344</sup> In place of this bright-line rule, the Court articulated a framework for determining whether exhaustion applies to a method patent by examining whether components substantially embodying the method in question were the subject of a sale authorized by the patentee.<sup>345</sup> The first portion of this test, whether components substantially embody the method patent in question, is standard-like, particularly when compared to the categorical approach of the Federal Circuit.

The Supreme Court, in *Bilski v. Kappos*,<sup>346</sup> yet again rejected a rule-based test adopted by the Federal Circuit. The Federal Circuit had concluded that the "machine-or-transformation" test was the exclusive test for determining patent eligibility with respect to processes.<sup>347</sup> The Court rejected this test in no uncertain terms as being too categorical: "Rather than adopting categorical rules that might have wide-ranging and unforeseen impacts, the Court resolves this case narrowly on the basis of

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<sup>337</sup> *Id.* at 407.

<sup>338</sup> *Id.* at 415.

<sup>339</sup> *Id.* at 418–19. The Court would add that "when a court transforms the general principle into a rigid rule that limits the obviousness inquiry, as the Court of Appeals did here, it errs." *Id.* at 419. Similarly, the Court stated that "[r]igid preventative rules that deny factfinders recourse to common sense . . . are neither necessary under our case law nor consistent with it." *Id.* at 421.

<sup>340</sup> *Id.* at 419.

<sup>341</sup> *Id.* at 415.

<sup>342</sup> *Id.* at 406 (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)).

<sup>343</sup> 553 U.S. 617 (2008).

<sup>344</sup> *Id.* at 621.

<sup>345</sup> *Id.* at 621, 638.

<sup>346</sup> 130 S. Ct. 3218 (2010).

<sup>347</sup> *Id.* at 3226.

this Court's [precedent showing] that petitioners' claims are not patentable processes because they are attempts to patent abstract ideas."<sup>348</sup> But the Court was not able to provide direction—other than to consult its precedent—to answer the question of what exactly qualifies as an abstract idea.<sup>349</sup> As a result, the Court left the issue of whether an inventor has attempted to patent an abstract idea as a standard-based inquiry without any test, let alone a bright-line rule, governing the analysis.<sup>350</sup>

In *Global-Tech Appliances, Inc. v. SEB S.A.*,<sup>351</sup> the Supreme Court decided that active inducement of infringement requires that the inducing party know that the induced acts constitute patent infringement.<sup>352</sup> Moreover, it rejected the Federal Circuit's formulation of the test governing the minimum required knowledge.<sup>353</sup> In place of the requirement to show a deliberate disregard of a known risk, the Court adopted a standard consistent with criminal law that permits a finding of actual knowledge under the doctrine of willful blindness.<sup>354</sup> Thus, while adopting a standard, the Court here merely supplanted the Federal Circuit's use of a different standard.

The Supreme Court revisited the issue of patent eligibility of processes in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*<sup>355</sup> As in *Bilski*, the Court applied a test more like a standard than the machine-or-transformation test applied by the Federal Circuit.<sup>356</sup> Here, the Court addressed the patent eligibility exception for natural laws. The Court concluded that patents may not be granted to protect “processes that too

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<sup>348</sup> *Id.* at 3229–30. Notably, the Court also rejected another categorical rule, albeit one not adopted by the Federal Circuit, which would have made all business methods ineligible for patenting. *Id.* at 3228.

<sup>349</sup> *See id.* at 3229–31 (“The Court . . . need not define further what constitutes a patentable ‘process,’ beyond pointing to the definition of that term provided in § 100(b) and looking to the guideposts in *Benson, Flook, and Dierh.*”).

<sup>350</sup> *See id.* at 3234–36 (Stevens, J., concurring) (“The Court, in sum, never provides a satisfying account of what constitutes an unpatentable abstract idea. Indeed, the Court does not even explain if it is using the machine-or-transformation criteria. The Court essentially asserts its conclusion that petitioners’ application claims an abstract idea.”); Duffy, *supra* note 20, at 1277 (“The Supreme Court’s opinion in *Bilski* seems to permit . . . a standards-based approach, which relies on multiple criteria in deciding issues of patentable subject matter . . .”).

<sup>351</sup> 131 S. Ct. 2060 (2011).

<sup>352</sup> *Id.* at 2068.

<sup>353</sup> *Id.* at 2068–71.

<sup>354</sup> *See id.* at 2070–71 (“[T]he Courts of Appeals . . . all appear to agree on two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact. . . . Under this formulation, a willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts.”).

<sup>355</sup> 132 S. Ct. 1289 (2012).

<sup>356</sup> *See id.* at 1296 (“[T]he ‘machine or transformation test’ is not a definitive test of patent eligibility, but only an important and useful clue.” (citing *Bilski v. Kappos*, 130 S. Ct. 3218, 3234–35 (2010))).

broadly preempt the use of a natural law.”<sup>357</sup> According to the Court, “a process that focuses upon the use of a natural law [must] also contain other elements or a combination of elements, sometimes referred to as an ‘inventive concept,’ sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the natural law itself.”<sup>358</sup> And if use of the terms “too broadly” and “significantly more” did not already highlight the standard-like form of the inquiry, the Court made it plainly evident in describing its test: “The question before us is whether the claims do significantly more than simply describe [natural relationships]. To put the matter more precisely, do the patent claims add *enough* to their statements of the [relationships] to allow the processes they describe to qualify as patent-eligible processes that *apply* natural laws?”<sup>359</sup> As if to confirm the standard-like form of this inquiry, the Court conceded that “the underlying functional concern here is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.”<sup>360</sup>

In the last patent case of the third decade, *Kappos v. Hyatt*,<sup>361</sup> the Court considered two questions: (1) whether there are any restrictions on the ability of a losing patent applicant to introduce new evidence in a district court proceeding challenging a rejection of a patent application by the Patent Office; and (2) the standard of review that a district court must use when considering any such new evidence.<sup>362</sup> On both questions, the Court affirmed the Federal Circuit. Applicants may introduce new evidence subject only to the rules applicable to all civil actions (the Federal Rules of Evidence and Civil Procedure),<sup>363</sup> and the appropriate standard of review is

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<sup>357</sup> *Id.* at 1294.

<sup>358</sup> *Id.* (quoting *Parker v. Flook*, 437 U.S. 584, 594 (1978)).

<sup>359</sup> *Id.* at 1297.

<sup>360</sup> *Id.* at 1303. Interestingly, the Supreme Court attempted to justify the fact that its test did not distinguish among different laws of nature by pointing out that:

Courts and judges are not institutionally well suited to making the kinds of judgments needed to distinguish among different laws of nature. And so the cases have endorsed a bright-line prohibition against patenting laws of nature, mathematical formulas and the like, which serves as a somewhat more easily administered proxy for the underlying [policy] concern.

*Id.* The Supreme Court’s overall test is hardly a bright-line prohibition even if it is more of a bright line compared to an alternative. Anyway, it was the patentee, not the Federal Circuit, who proposed a test distinguishing between laws of nature based on whether they interfere significantly with innovation in other fields. *Id.* Moreover, the Supreme Court’s test can hardly be characterized as a “bright-line prohibition” compared to the Federal Circuit’s machine-or-transformation test, rejected in *Bilski*. Regardless, the Court’s adoption of what it considered to be a more rule-like test based on the inability of a decision-maker to make a well-informed judgment is the type of analysis that I suggest courts use with respect to questions of rule-based adjudication in patent law. *See infra* Part V.A.2.

<sup>361</sup> 132 S. Ct. 1690 (2012).

<sup>362</sup> *Id.* at 1694.

<sup>363</sup> *Id.* at 1700.

de novo.<sup>364</sup> The Court also held, consistent with Federal Circuit precedent, that the district court has broad discretion over the weight to be given new evidence.<sup>365</sup> In this last respect, the Court affirmed an approach more consistent with a standard than a rule, but again this standard had already been developed by the Federal Circuit.<sup>366</sup>

In these ten cases adopting standards, the Supreme Court rejected the Federal Circuit's use of rules in a remarkable number of cases, seven. And in doing so, it repeatedly criticized the Federal Circuit for being too rigid and categorical.

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In summary, the Supreme Court appears to have earned its reputation for rejecting rule-based adjudication in favor of standard-based adjudication during its third decade of review of Federal Circuit patent decisions. While four cases adopted rule-like tests, the Supreme Court rejected a standard adopted by the Federal Circuit only once. By contrast, the Court adopted standard-like tests in ten cases, and in seven of those cases the Court rejected rule-like tests adopted by the Federal Circuit.<sup>367</sup>

#### 4. *Conclusions*

While others designated the Federal Circuit as a formalist court at the beginning of its third decade based on a purported tendency to adopt rule-based adjudication in patent cases too often, until now no one has provided a comprehensive analysis of the extent to which the Supreme Court has favored rules or standards or policed any such tendency of the Federal Circuit. That analysis, conducted over the Federal Circuit's entire existence, shows that the Supreme Court has rejected a standard-like test adopted by the Federal Circuit in a patent case and replaced it with a more rule-like test only twice, while it has done the opposite eight times. Moreover, in the thirty-plus years of the Federal Circuit's existence, the

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<sup>364</sup> *Id.*

<sup>365</sup> *Id.*

<sup>366</sup> *Hyatt v. Kappos*, 625 F.3d 1320, 1331 (Fed. Cir. 2010).

<sup>367</sup> As of this writing, we are only a year into the fourth decade, which spans from October 1, 2012 to September 30, 2022, Petrowitz, *supra* note 234, at 543, and the Supreme Court has ruled in only two patent cases decided by the Federal Circuit. In *Bowman v. Monsanto Co.*, the Court affirmed the Federal Circuit's holding that a patent owner does not completely exhaust its patent rights by selling patented seeds. 133 S. Ct. 1761, 1769 (2013). The Court's decision rested on a rule-like premise, that the exhaustion doctrine does not eliminate the right to prohibit another from making a new product. *Id.* at 1766–67. In *Association for Molecular Pathology v. Myriad Genetics, Inc.*, the Court affirmed in part and reversed in part the decision of the Federal Circuit, ultimately concluding that cDNA is patent eligible but isolated DNA segments are not. 133 S. Ct. 2107, 2111 (2013). To distinguish between the two types of DNA, the Court, like the Federal Circuit, applied the “rule against patents on naturally occurring things.” *Id.* at 2116. Thus, in both cases, the Federal Circuit and Supreme Court have applied the same rule-like tests.

Supreme Court has increasingly rejected rules in favor of standards in patent cases decided by the Federal Circuit, particularly in the third decade of the Federal Circuit's existence. In short, the Supreme Court has grown more likely to detect and correct formalistic rule-based adjudication at the Federal Circuit. Thus, from an overall perspective, the Court might, as a descriptive matter, be seen as policing the tendency of the Federal Circuit to engage in rule-based adjudication.

Some, however, might argue that the Federal Circuit's persistence in adopting rule-based adjudication in patent cases, and the Supreme Court's repeated rejection of that form of adjudication, indicates that the patent system is broken. That is, some might argue that the Federal Circuit has not "gotten the message" that rule-based adjudication is inappropriate. I will now consider whether there is an appropriate equilibrium between rule-based adjudication and standard-based adjudication in patent law, as well as whether the Supreme Court's increasing suggestions that the Federal Circuit has improperly invoked bright-line rules<sup>368</sup> actually reflects the *proper* functioning of the present institutional system. Indeed, several normative questions remain, including whether patent law should favor rule-based adjudication; whether the Federal Circuit should adopt rule-like tests in particular matters of patent law; whether the Supreme Court should police the Federal Circuit's apparent preference for rule-like tests and, if so, how it should carry out such policing; and whether the role of the Federal Circuit should change based on any such policing by the Supreme Court. I address these normative questions next.

## V. INSTITUTIONAL ROLES IN PATENT LAW ADJUDICATION

Given that the real question that deserves attention is "what degree of formalism?," rather than "formalist or not?,"<sup>369</sup> it is surprising that most academic discourse to date on the topic of formalism and patent law has addressed only the latter question, reached the same conclusion that the Federal Circuit is formalist based on its preference for rules, and then—for those that have even reached the normative aspect of the latter question<sup>370</sup>—concluded that this is bad and proposed ways to reform the institutional structure and the Federal Circuit's approach to patent cases.<sup>371</sup> There has not yet been extensive academic discourse on the former question, particularly from the normative perspective, as applied to patent

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<sup>368</sup> See, e.g., *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002) (rejecting a bright line rule adopted by the Federal Circuit).

<sup>369</sup> Sunstein, *supra* note 34, at 640.

<sup>370</sup> Professor Lee largely avoided normative positions in his article addressing the general issue of formalism in patent law adjudication. See Lee, *Patent Law and the Two Cultures*, *supra* note 16, at 25 ("My aim is not to assess these mechanisms normatively so much as it is to describe them.").

<sup>371</sup> See *supra* Part IV.A (discussing relevant scholarship).

law: What *degree* of rule-based adjudication in patent law adjudication is appropriate?<sup>372</sup> Moreover, as discussed above, academic discourse also has largely avoided extensive consideration of the responsibility of the *Supreme Court*—not just the Federal Circuit—with respect to rule-based adjudication in patent law.

To fill this gap in legal scholarship, I begin, in this Part, to address the question of what degree of rule-based adjudication in patent law may be appropriate by engaging in two related inquiries. First, what are the policies that may favor rule-based adjudication in patent law, and, given these policies, in what areas of patent law should rule-based adjudication be considered as potentially more appropriate? Inherent in this first inquiry is the merit of patent law exceptionalism as applied to rule-based adjudication—to what extent should patent law include more rules than other areas of law? Second, to the extent that rule-based adjudication in patent law may be appropriate generally or as applied to particular areas of patent law, how should the Federal Circuit approach specific questions concerning the appropriateness of rule-based adjudication, particularly given its existence as a semi-specialized appellate court whose decisions are reviewed by a generalized court of last resort? And, conversely, how should the Supreme Court, as a generalized court of last resort, review decisions by a semi-specialized intermediate appellate court when considering matters of rule-based adjudication? By engaging in these inquiries, this Part evaluates the institutional roles of the Federal Circuit and Supreme Court in the development of patent law, with particular attention to the potential normative basis for rule-based adjudication in patent law. And this Part ultimately identifies a general framework with particular practices that the respective courts should adopt to fulfill their proper institutional roles within the current institutional structure.

#### A. *The Normative Basis for Rule-Based Adjudication in Patent Law*

What degree of rule-based adjudication is appropriate for legal issues

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<sup>372</sup> Professor Kumar, for example, has indicated that “it is unclear whether the Federal Circuit has acted improperly” by preferring rules to standards, when rules “decrease uncertainty and prevent repeated litigation on the same issues.” Sapna Kumar, *The Accidental Agency?*, 65 FLA. L. REV. 229, 278 (2013). Professor Dreyfuss is one of the scholars to focus on this normative question. On the one hand, she has explained that there are reasons to think that precision in patent law is “more important in some respects” than accuracy. Dreyfuss, *supra* note 93, at 13. On the other hand, she has also indicated that the Federal Circuit has gone too far in favoring precision over accuracy. *See* Dreyfuss, *supra* note 9, at 800 (“[T]he problems with the Federal Circuit appear to be largely related to the question of accuracy.”). Most recently, Professor Mullally proposed a framework to evaluate the need for certainty in patent law generally. Kelly Casey Mullally, *Legal (Un)Certainty, Legal Process, and Patent Law*, 43 LOY. L.A. L. REV. 1109, 1146–59 (2010). She advocates the following “simple guideposts for addressing uncertainty: identifying with as much precision as possible the primary institution or actor responsible for the uncertainty; assessing different types of uncertainty; and lastly, taking into account the importance of other, countervailing values.” *Id.* at 1146–47.

that arise in patent law? To answer this question it is important to identify and study the policies that might favor rule-based adjudication. While the general advantages of rule-based adjudication are discussed in detail above, judges and commentators routinely identify one overarching policy supporting rule-based adjudication in patent law: certainty. For purposes of this analysis, certainty incorporates the concepts of clarity (the ability to understand the controlling law) and predictability (the ability to predict the application of the controlling law).<sup>373</sup> There are various reasons that certainty should be considered as a possible justification for rule-based adjudication in patent law. And, taken together, these reasons should drive the application of the policy of certainty to the ultimate jurisprudential question of whether particular patent law doctrines deserve rule-like tests.

### 1. *Certainty*

Consider the four primary legal and policy-based justifications for emphasizing certainty in patent law adjudication: the Federal Courts Improvement Act, general principles of law, the Constitution, and what I will refer to as patent law exceptionalism.

#### a. The Federal Courts Improvement Act

One source for the importance of certainty in patent law is the normative basis for the creation of the Federal Circuit, as reflected in the legislative history of the Federal Courts Improvement Act.<sup>374</sup> That legislative history indicates proponents of the Federal Circuit sought to strengthen the U.S. patent system, foster technological growth and industrial innovation, eliminate forum shopping among regional courts of appeal, and increase uniformity and reduce uncertainty in substantive patent law.<sup>375</sup> Significantly, one might think that the latter reasons—increasing uniformity and decreasing uncertainty—justify, not just the formation of the Federal Circuit, but also more generally rule-based adjudication in patent cases. Judge Newman, for example, has invoked the Federal Circuit’s “assignment” and “role” of creating uniformity and certainty as a reason to favor “sharpened principles” and to create “stable and comprehensible” tests in patent law.<sup>376</sup> Similarly, commentators have

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<sup>373</sup> See Paul R. Michel, *The Challenge Ahead: Increasing Predictability in Federal Circuit Jurisprudence for the New Century*, 43 AM. U. L. REV. 1231, 1233 (1994) (describing clarity and predictability as important to patent law).

<sup>374</sup> Pub. L. No. 97-164, 96 Stat. 25 (1982) (codified as amended in scattered sections of 28 U.S.C.).

<sup>375</sup> H.R. REP. NO. 97-312, at 20, 23 (1981); S. REP. NO. 97-275, at 29 (1981).

<sup>376</sup> See *SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1323 (Fed. Cir. 2006) (Newman, J., dissenting) (“This court has sharpened the principles of claim construction, in fulfilling its assignment to bring national uniformity to patent principles.”); *Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 976 (Fed. Cir. 2001) (Newman, J., dissenting) (“In this period of unprecedented

pointed to the legislative history behind the formation of the Federal Circuit as an explanation for the judges' invocation of rule-based tests in patent law.<sup>377</sup>

There is a good argument, however, that—technically—this may be a misapplication of the legislative history. The discussion of the desire for more certainty in patent law, in context, referred to a reason for *formation* of the Federal Circuit. In particular, proponents of the Federal Circuit desired to create a circuit court with exclusive jurisdiction over appeals in patent cases because they wanted to eliminate circuit splits regarding patent law issues, which would give certainty to potential litigants based on uniformity of interpretation and application of patent law principles. Significantly, the creation and therefore existence of a single circuit court with exclusive, nationwide jurisdiction over appeals in patent cases *necessarily* achieves that result.<sup>378</sup> The Federal Circuit, so the thought went,<sup>379</sup> as the only intermediate appellate court interpreting and applying

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development of patent-supported biological advance, the nation needs a stable and comprehensible patent law, lest this court falter in its leading role in implementing the law's fundamental purposes." Judge O'Malley likewise has indicated that "[t]he uniformity Congress hoped we would bring to the patent system is uniformity born of *our own adjudicative function.*" Kathleen M. O'Malley, *An Expanded "Slim Volume" on the Limited Role of Courts in Shaping Patent Policy*, 22 FED. CIR. B.J. 91, 98 (2012) (emphasis added).

<sup>377</sup> See, e.g., David Olson & Stefania Fusco, *Rules Versus Standards: Competing Notions of Inconsistency Robustness in Patent Law*, 64 ALA. L. REV. 647, 682 (2013) ("Bright-line rules are predictable and much easier to apply consistently—whether horizontally or vertically—than standards. Thus, the Federal Circuit's actual and perceived special mandate [which the authors derive from the legislative history associated with the court's formation] seems to have some power in explaining its preference for bright-line rules."). In explaining a perceived preference for rule-based adjudication, Professor Dreyfuss highlights the legislative history surrounding the formation of the court and its emphasis on predictability, the desire of its early judges to gain acceptance and permanence by emphasizing predictability, and the unique nature of the Federal Circuit judges and their background—less drawn from academics and district courts and more with backgrounds tied to legislation. Dreyfuss, *supra* note 9, at 814–22.

<sup>378</sup> See *Gunn v. Minton*, 133 S. Ct. 1059, 1067 (2013) ("Congress ensured . . . uniformity by vesting exclusive jurisdiction over . . . patent cases in the federal district courts and exclusive appellate jurisdiction in the Federal Circuit."); Richard Linn, *The Future Role of the United States Court of Appeals for the Federal Circuit Now that It Has Turned 21*, 53 AM. U. L. REV. 731, 735 (2004) ("[T]he goal of uniformity was achieved procedurally not by years of decisions but by a single act of Congress in granting the Federal Circuit exclusive appellate jurisdiction in patent cases."); Pauline Newman, *The Federal Circuit—A Reminiscence*, 14 GEO. MASON U. L. REV. 513, 524 (1992) ("A principal goal [of those who formed the Federal Circuit], the elimination of inter-circuit differences, was achieved overnight, for after October 1, 1982 there was no other forum.").

<sup>379</sup> The Federal Courts Improvement Act did not succeed in vesting the Federal Circuit with exclusive jurisdiction over all patent cases. See *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 834 (2002) (holding that the Federal Circuit did not have jurisdiction over cases where a patent infringement claim was brought only as a counterclaim). In 2011, however, Congress amended the relevant statute to ensure that the Federal Circuit has exclusive jurisdiction over all patent infringement cases. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 19(b), 125 Stat. 284, 331–32 (2011) (codified at 28 U.S.C. § 1295(a)(1) (2012)) (extending the Federal Circuit's jurisdiction to all cases involving compulsory counterclaims of patent infringement).

patent law, would *inherently* create uniformity because no other intermediate appellate court would interpret and apply patent law. The court would be able to create one body of precedent rather than twelve created by the regional circuits in the absence of Supreme Court oversight.<sup>380</sup> And this uniformity of precedent would necessarily increase certainty. Moreover, the court ultimately would be able to create that precedent on the vast array of issues that arise in all patent cases, not just patent cases that happen to reach one regional appellate court, again increasing certainty with respect to substantive patent law.<sup>381</sup>

The discussion of certainty in the legislative history did not clearly refer to the Federal Circuit's *adjudicatory approach*. That is, proponents of the formation of the Federal Circuit did not stress that the new court should seek to attain a higher level of certainty in patent law *by the type of legal tests the court articulated in patent cases*. Thus, the idea that Congress sought to further certainty in patent law through the Federal Circuit's adjudicative approach to patent cases may be a misconception.

Nevertheless, the ability of the Federal Circuit to hear a larger volume of cases focused on patent law may as a practical matter result in increased rule-based adjudication. Given its relatively large volume of patent cases, Federal Circuit judges may feel inclined to make finer and finer distinctions in different circumstances, with the result that patent law becomes more defined and, in that sense, more rule-based. Or perhaps

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<sup>380</sup> In the first opinion issued by the Federal Circuit, Chief Judge Markey, on behalf of the en banc court, stated: "As a court of nationwide geographic jurisdiction, [the Federal Circuit was] created and chartered with the *hope* and *intent* that stability and uniformity would be achieved in all fields of law within its substantive jurisdiction." *S. Corp. v. United States*, 690 F.2d 1368, 1371 (Fed. Cir. 1982) (en banc) (emphases added); see also Howard T. Markey, *The Court of Appeals for the Federal Circuit: Challenge and Opportunity*, 34 AM. U. L. REV. 595, 595 (1985) [hereinafter Markey, *Challenge and Opportunity*] ("The challenge to the court and its bar is to *create and maintain* a uniform, reliable, predictable, nationally-applicable body of law in each of the many and varied fields of substantive law assigned exclusively to the court." (emphasis added)). Thus, some Federal Circuit judges may have viewed the court's creation as insufficient to create the stability and uniformity sought by Congress. Indeed, on the Federal Circuit's tenth anniversary, Chief Judge Markey declared that "the Federal Circuit met the desire of its congressional creators for increased uniformity" by identifying and resolving "all of the thirteen conflicts in the previous patent law decisions of the regional circuit courts and remov[ing] the slogans that for years had barnacled the patent law." Howard T. Markey, *The Federal Circuit and Congressional Intent*, 41 AM. U. L. REV. 577, 577 (1992).

<sup>381</sup> This legislative history, and its emphasis on uniformity, is particularly relevant to procedural questions that have arisen related to the scope of the Federal Circuit's jurisdiction and similar doctrines affecting the choice of law. See generally *Holmes Grp., Inc.*, 535 U.S. 826 (2002) (addressing the scope of the Federal Circuit's jurisdiction); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999) (addressing state sovereign immunity from federal patent law); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989) (addressing federal preemption of a state statute); *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988) (addressing the scope of the Federal Circuit's jurisdiction). But increased procedural uniformity—in terms of consolidating jurisdiction over appeals in patent cases and creating a unitary set of precedent governing patent law—inherently increases certainty in substantive patent law.

based on the large volume of cases, Federal Circuit judges may feel inclined to create more bright-line rules based on a sense that these rules would make patent litigation more efficient; they may decide that, based on their experience, the vast majority of cases will be decided correctly when applying those rules. Thus, rule-based adjudication may be a natural result of increased exposure to any area of law, including patent law.

Regardless, certainty is not irrelevant as a potential normative guide to the development of patent law doctrine. Far from it. Consider *Markman v. Westview Instruments, Inc.*, where the Supreme Court determined that vesting judges rather than juries with responsibility for claim construction would “promote (though it will not guarantee) intrajurisdictional certainty through the application of *stare decisis* on those questions not yet subject to interjurisdictional uniformity under the authority of the single appeals court.”<sup>382</sup> In this way the Court distinguished between interjurisdictional uniformity (achieved by the creation of the Federal Circuit with its virtually-exclusive jurisdiction over patent cases)<sup>383</sup> and intrajurisdictional certainty (understood to mean predictability obtained through consistent application of judicial precedent). Notably, this justification for the Court’s holding, intrajurisdictional certainty, derives not from the legislative history of the Federal Courts Improvement Act but from a general principle of law (*stare decisis*) applied in a patent case. Nevertheless, the Court adopted a particular bright-line rule in the context of an important issue in patent law adjudication—judges would interpret patent claims—based in part on the idea of increasing certainty, a goal that just so happens to be included expressly in the Federal Courts Improvement Act as a justification for the creation of the Federal Circuit.

*Markman* thus provides a good example that, while the legislative history of the Federal Courts Improvement Act might be seen as providing a basis for seeking certainty in patent law, there are other, potentially better justifications. These other justifications reflect the idea that certainty was not necessarily attained when the Federal Circuit was created. Instead, the goal of certainty may still be sought through the jurisprudence of the courts and, in particular, in the substantive doctrines of patent law, including through the adoption of rule-based adjudication. Indeed, three other bases exist, besides the Federal Courts Improvement Act, for invoking the policy of certainty when deciding what tests to apply in patent-related cases. I

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<sup>382</sup> *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 391 (1996).

<sup>383</sup> The Court indicated that “the importance of uniformity in the treatment of a given patent” also impacted how to resolve the question of whether to allocate the task of claim construction to the court or jury. *Id.* at 390. It decided that a bright line rule would be appropriate to foster uniformity: the judge, not the jury, should construe patent claims. The Court explained that “[i]t was just for the sake of such desirable uniformity that Congress created the Court of Appeals for the Federal Circuit as an exclusive appellate court for patent cases.” *Id.*

turn to these bases next.

b. General Principles of Law

Judges and commentators sometimes rely upon general principles of law to justify rule-based adjudication in patent cases. As shown, the Supreme Court in *Markman* relied in part upon the doctrine of stare decisis and a general desire to increase certainty to justify creation of a bright-line rule that claim construction is the exclusive task of the court. Other Supreme Court opinions in patent cases expressly focus on a generalized concept of certainty underlying the law to encourage the adoption of rule-like tests.<sup>384</sup> But general principles underlying the law by their very nature do not provide any reason to favor rule-based adjudication in patent law any more than in other areas of law.

In this regard, consider Judge O'Malley's view that the Federal Circuit should seek to advance certainty when appropriate—but without adopting patent law exceptionalism as the basis for doing so. She recently remarked that “the Supreme Court has made it abundantly clear that neither the character of patent law nor the unusual character of our jurisdiction permits us . . . to create special rules for patent cases.”<sup>385</sup> She did not stop there, however. In her words, “All of this does not mean that there are no vehicles by which we as a court can make affirmative efforts to improve uniformity and predictability in patent law.”<sup>386</sup> Indeed, she indicated that “[t]he uniformity Congress hoped we would bring to the patent system is uniformity born of *our own adjudicative function*.”<sup>387</sup> She suggested taking specific steps to improve such uniformity and predictability, including specific suggestions of potential changes in particular doctrinal areas.<sup>388</sup> Given her view that the Supreme Court has rejected patent law exceptionalism generally<sup>389</sup>—a broad proposition that, as I discuss below, may not be accurate—the basis for her conclusion that predictability may still be advanced through the law articulated by the Federal Circuit may come from general principles of law.

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<sup>384</sup> See *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 65–67 (1998) (concluding that the Federal Circuit's standard-like test for the on-sale bar was improper because it “seriously undermine[d] the interest in certainty”); *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 39 n.8 (1997) (“We leave it to the Federal Circuit how best to implement procedural improvements [to the doctrine of equivalents and prosecution history estoppel] to promote certainty, consistency, and reviewability to this area of the law.”).

<sup>385</sup> O'Malley, *supra* note 376, at 98.

<sup>386</sup> *Id.* at 99.

<sup>387</sup> *Id.* at 98 (emphasis added).

<sup>388</sup> *Id.* at 99.

<sup>389</sup> *Id.*

### c. The Constitution

Another potential justification for advancing certainty through patent law doctrine is the Constitution. In *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*<sup>390</sup>—a case addressing patent law that did not pass through the Federal Circuit—the Supreme Court identified three sources for the importance of uniformity in patent law.<sup>391</sup> One of those three sources was the Constitution, because the “promot[ion of] national uniformity in the realm of intellectual property” is “[o]ne of the fundamental purposes behind the Patent and Copyright Clauses of the Constitution.”<sup>392</sup> That is, because the Constitution gives Congress the power to enact law to promote the progress of technology, state law seeking to serve the same ends may be preempted. The result of preemption is nationally uniform law in this area. And the result of a nationally uniform patent law is more certainty as compared to a scheme involving conflicting state-law patent regimes and potential difficulties identifying which regimes apply to particular conduct.

Another view of the Patent Clause of the Constitution may provide further reason to favor rule-based adjudication in patent law. The Patent Clause is based on a utilitarian, rather than a natural rights, theory of property, in that it seeks to “promote the Progress of . . . useful Arts.”<sup>393</sup> To the extent that the promotion of progress of technology is better served by rules than standards, the Patent Clause may provide reason to favor rules. For example, if potential inventors would be more likely to invest time and effort in the inventive process if patent law were more certain, rules may be more appropriate. Whether any particular rule serves the utilitarian purposes of patent law better than a standard, however, depends on the circumstances of the particular patent law issue. And this may be hotly contested. As an example, consider *Festo*, where the Federal Circuit judges disputed the need for a bright line rule to govern the scope of the doctrine of equivalents based on competing concerns related to incentives to invest in both the original development of patentable technology and efforts to design around patented technology.<sup>394</sup> I will return to *Festo* below.<sup>395</sup>

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<sup>390</sup> 489 U.S. 141 (1989).

<sup>391</sup> *Id.* at 162.

<sup>392</sup> *Id.* The other two sources included Congress’s decision to vest exclusive jurisdiction in the federal courts and Congress’s decision to confer exclusive jurisdiction of all patent appeals in the Federal Circuit. *Id.*

<sup>393</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>394</sup> *See generally* *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558 (Fed. Cir. 2000) (en banc).

<sup>395</sup> For an extended analysis of the policy-based arguments in favor and against the bright-line rule adopted by the Federal Circuit in *Festo*, see generally Taylor, *supra* note 29.

#### d. Patent Law Exceptionalism

The nature of legal rights in ideas—that is to say the nature of patent law itself—may provide another reason to seek certainty in patent law. In this regard, consider again *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.* There, the Supreme Court explained that the nature of property rights in ideas provides another reason for favoring uniformity<sup>396</sup>—and by extension, certainty—in patent law. Consider the Court’s explanation of why this is so:

Given the inherently ephemeral nature of property in ideas, and the great power such property has to cause harm to the competitive policies which underlay the federal patent laws, the demarcation of broad zones of public and private right is “the type of regulation that demands a uniform national rule.”<sup>397</sup>

The Court emphasized the need for a uniform national rule establishing a clear dividing line between public and private rights in ideas (1) because ideas are inherently ephemeral (consider that it might be better to apply a uniform, clear, predictable rule to a vague subject matter than to complicate things exponentially by applying a vague standard to vague subject matter), and (2) because property rights in ideas may harm competition in the marketplace of ideas. Importantly, in both respects, patent law itself may justify more rule-like tests than even traditional property law.

But the ability to identify the law affecting competition in the marketplace of ideas is also important, as is having clear and predictable rules, because of the desire to encourage investment by rational market participants in developing and disclosing new and useful inventions.<sup>398</sup> Indeed, the encouragement of investment in research and development by prospective patent applicants is one of the very goals of patent law, and bright-line rules may encourage this investment by eliminating or at least reducing risk associated with this behavior. But uniformity, clarity, and predictability in patent law may encourage productive activity not only by prospective patent applicants, but also by (1) patent owners and their licensees, because bright-line rules may encourage them to invest in commercialization of inventions that have already been conceived, and (2)

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<sup>396</sup> *Bonito Boats*, 489 U.S. at 162–63.

<sup>397</sup> *Id.* (quoting *Ray v. Atl. Richfield Co.*, 435 U.S. 151, 179 (1978)).

<sup>398</sup> See Terry W. Frazier, *Protecting Ecological Integrity Within the Balancing Function of Property Law*, 28 ENVTL. L. 53, 83 (1998) (“Reliability of property rules allows market participants to be more rational in the choices they make to maximize their personal utility in the marketplace . . . [which is] consistent with the goal of maximizing social welfare through emphasis on the individual liberty principle.”).

competitors of patent owners and their licenses, because bright-line rules may encourage them to engage in design-around activities that may result in the development of additional inventions and commercialization of technology. Thus, this basis for invoking certainty as a policy to favor rule-based adjudication in patent law has a similar origin as the constitutional basis—a utilitarian view of patent law—although it is based more on pragmatic policy than any positivist interpretation of any legal text.

Notably, this justification for rule-based adjudication in patent law—essentially, that patent law inherently favors rule-based adjudication more so than other areas of the law—reflects the views of several Federal Circuit judges. Chief Judge Markey, for example, viewed the need to create uniformity and certainty in patent law as “unique,” “particular,” and “special” to the Federal Circuit.<sup>399</sup> In this sense, he seemingly emphasized his belief in patent law exceptionalism with respect to rule-based adjudication.

Judge Newman has expressed a general concern with the use of policy-driven analyses to decide cases.<sup>400</sup> Nevertheless, as noted above, she repeatedly focuses on the policy of certainty in her opinions. It is noteworthy that her justification for using certainty to inform patent law adjudication derives not only from the formation of the Federal Circuit, however, but also from the nature of patent law itself. In the latter regard, she has recognized that “[a] principal goal [of those who formed the Federal Circuit], the elimination of intercircuit differences, was achieved overnight, for after October 1, 1982 there was no other forum.”<sup>401</sup> And she has highlighted that unification of the law was achieved by (1) the selection of the law of the Federal Circuit’s predecessor courts as binding precedent and (2) the unification in one appellate court of appellate review of patentability decisions made by the Patent Office and judgment of district courts deciding patent infringement cases.<sup>402</sup> But she has explained

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<sup>399</sup> See Markey, *Challenge and Opportunity*, *supra* note 380, at 595 (“All courts face similar challenges and opportunities, but the unique mission of the Court of Appeals for the Federal Circuit makes the challenge particular and the opportunity special.”).

<sup>400</sup> See Pauline Newman, *The Federal Circuit: Judicial Stability or Judicial Activism?*, 42 AM. U. L. REV. 683, 688 (1993) (“I caution against . . . policy-driven activism whereby the application of the law will not be known until the Federal Circuit hears the case. . . . It is policy choices that lead to departure from precedent, into the judicial activism that weighs against legal stability. . . . [P]olicy choices are not the province of judges.”).

<sup>401</sup> Newman, *supra* note 378, at 524. The creation of the Federal Circuit solved the forum-selection problem plaguing patent litigation at the time—the selection of district courts based on the governing appellate court and its interpretation of patent law. But modern patent litigation includes a different form of forum-selection—the selection of district courts based on the judges, local procedures and local rules, and juries. See David O. Taylor, *Patent Misjoinder*, 88 N.Y.U. L. REV. 652, 675–76 (2013) (describing recent attention to forum shopping among various federal district courts).

<sup>402</sup> Newman, *supra* note 378, at 522–24.

why, nevertheless, certainty is an exceptional policy as applied to patent law: “Although not all new technologies require the support of a patent in order to be economically viable, for those that do the degree of legal certainty, as to patentability and enforceability, is a significant factor in innovation decisions.”<sup>403</sup> Thus, she also favors patent law exceptionalism with respect to rule-based adjudication, particularly with respect to the issues of patentability and enforceability. Judge Newman’s willingness to endorse bright-line rules based on the goal of increased certainty, however, is limited. In *Festo*, for example, Judge Newman rejected the majority’s reliance on certainty as a basis for adoption of the complete bar to the doctrine of equivalents, a bright-line rule.<sup>404</sup> In her view, “the optimum balance between innovator and imitator in a technology-dependent economy involves many considerations.”<sup>405</sup> In particular, concerns with certainty and clear notice must be balanced with “innovation and competition policy.”<sup>406</sup> In this regard, Judge Newman’s views seem to coincide with Professor Dreyfuss’s views.

Judge Linn similarly has recognized that “the goal of uniformity was achieved procedurally not by years of decisions but by a single act of Congress in granting the Federal Circuit exclusive appellate jurisdiction in patent cases.”<sup>407</sup> Yet he still sees value in rule-based adjudication in patent law. Indeed, Judge Linn has taken the arguments in favor of rule-based adjudication to a new level. He concedes that “the Supreme Court . . . is giving us guidance that promoting uniformity in patent decisions does not mean creating patent-specific, bright-line rules outside the mainstream of federal law.”<sup>408</sup> But significantly, he is willing to push back against this guidance. He argues that “[t]he Federal Circuit deals with decisions affecting business leaders who are looking for clear answers and unambiguous guidance,” and that “[b]usiness people like bright-line rules” because “[i]t is easier to make business decisions when the implications and consequences of those decisions are well known.”<sup>409</sup> Moreover, the Supreme Court’s reticence to endorse bright-line rules “gives [Judge Linn] some reason to be concerned about future Supreme Court decisions that

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<sup>403</sup> Newman, *supra* note 378, at 515.

<sup>404</sup> *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558, 634 (Fed. Cir. 2000) (Newman, J., concurring in part, dissenting in part).

<sup>405</sup> *Id.* at 636.

<sup>406</sup> *Id.* at 638–41.

<sup>407</sup> Linn, *supra* note 378, at 735.

<sup>408</sup> Richard Linn, *Changing Times: Changing Demands*, 15 SMU SCI. & TECH. L. REV. 1, 6 (2011); *see also id.* (“[A] consistent theme of the Court’s opinions is the continual endorsement of past Supreme Court patent opinions and condemnation of patent-specific, bright-line rules in favor of flexible mainstream dogma.”).

<sup>409</sup> *Id.* at 7; *see also id.* (“We see this in the disputes that come before us day-in and day-out and in the regular exchanges we have with the patent bar, including with members in both private practice and in-house.”).

may overlook the importance of, and the need for, more specific guidance.”<sup>410</sup> Like Judge Newman, however, Judge Linn’s willingness to endorse bright-line rules is limited. In the Federal Circuit’s decision in *Festo*, he also rejected the bright-line rule advanced by the majority—the complete bar to the doctrine of equivalents—based on his view that the majority was unable to justify such a “dramatic policy shift.”<sup>411</sup> In this way, Judge Linn has also expressed a preference for patent law exceptionalism favoring bright-line rules, but only when the relevant policies support their application.

Former Chief Judge Michel likewise has stressed predictability as particularly important in patent law.<sup>412</sup> Furthermore, like Judge Linn, he has expressly tied predictability to rule-based adjudication. In his words, “If the parties to [patent] disputes . . . are able to ascertain their rights and obligations prior to litigation by applying rules set forth in precedent, they can alter their behavior accordingly.”<sup>413</sup> He has discounted the importance of fairness compared to predictability in patent law.<sup>414</sup> And, more generally, he has stressed that uncertainty creates more lawsuits, “an undesirable and ultimately an unsustainable result.”<sup>415</sup> Like Judges Newman and Linn, however, Judge Michel rejected the rigid rule of the complete bar to the doctrine of equivalents in *Festo* because he believed it “contradict[ed] Supreme Court precedent and policy.”<sup>416</sup> Nevertheless, it is somewhat remarkable that three of the four judges dissenting from the adoption of the rigid rule of the complete bar to the doctrine of equivalents in *Festo* have elsewhere expressed strong support for rule-based adjudication in patent law.

Judge Plager, who was among the majority in *Festo*,<sup>417</sup> similarly has expressed his concern that there is an “endemic problem of uncertainty in law and the judicial decisional process, and particularly in patent law.”<sup>418</sup> Indeed, he admits that he has “had long-standing concerns with the

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<sup>410</sup> *Id.*; see also *id.* (“The Supreme Court, on the other hand, deals with legal principles and the policy implications they engender. The Supreme Court is more accustomed to making general rules that can be applied on a case-by-case basis to the facts and circumstances as they arise. For the Supreme Court, bright-line rules are seldom endorsed. This difference in perspective may account for some of the recent differences in the decisions of the respective courts . . .” (footnotes omitted)).

<sup>411</sup> *Festo Corp.*, 234 F.3d at 620 (Linn, J., concurring in part and dissenting in part).

<sup>412</sup> See Michel, *supra* note 373, at 1233–34 (identifying patent litigation, in particular, as the area of the Federal Circuit’s jurisdiction in which predictability is most important).

<sup>413</sup> *Id.* at 1234.

<sup>414</sup> See *id.* (“Some observers, however, might argue that the costs of less predictability are justified by the benefits of greater fairness.”).

<sup>415</sup> *Id.* at 1235.

<sup>416</sup> *Festo Corp.*, 234 F.3d at 598 (Michel, J., concurring in part and dissenting in part).

<sup>417</sup> *Id.* at 562.

<sup>418</sup> S. Jay Plager, *The Federal Circuit as an Institution: On Uncertainty and Policy Levers*, 43 LOY. L.A. L. REV. 749, 749 (2010).

problem of indeterminacy in legal doctrine, especially in patent law.”<sup>419</sup> Then, after summarizing Professor Mullally’s article discussing a general framework for addressing uncertainty in patent law specifically,<sup>420</sup> he proceeds to explain how uncertainty in one particular doctrinal area of patent law, claim construction, could be addressed.<sup>421</sup>

These Federal Circuit judges have indicated that certainty provides unique incentives to favor rules in patent law—but they have repeatedly said so in law review articles and speeches rather than in judicial opinions. In terms of judicial decisions, only a handful address the issue. One of the most detailed Federal Circuit opinions addressing whether patent law should favor rule-based adjudication is the court’s decision in *Festo* itself. There, the en banc Federal Circuit justified its decision to adopt a complete bar to the doctrine of equivalents, rather than a flexible bar, by explaining that the promotion of certainty in patent law “cannot help but be frustrated by the uncertainty inherent in the flexible bar approach.”<sup>422</sup> According to the court, the complete bar, in contrast to the flexible bar, would create certainty.<sup>423</sup> “This certainty will stimulate investment in improvements and design-arounds because the risk of infringement will be easier to determine.”<sup>424</sup> Moreover, “the difficulty in counseling the public and the patentee on the scope of protection provided by an amended element is greatly reduced under the complete bar approach due to the certainty and predictability such a bar produces.”<sup>425</sup> While the Supreme Court vacated the Federal Circuit’s judgment primarily because it conflicted with Supreme Court precedent, the Federal Circuit’s opinion nevertheless makes strong arguments in favor of rule-based adjudication in this area of patent law. Moreover, as Professor Thomas has recognized, even after the Supreme Court’s decision to vacate the judgment, the law governing the doctrine of equivalents has become more rule-like.<sup>426</sup>

As the Supreme Court stressed in reversing the Federal Circuit’s decision in *Festo*, however, patent law’s need for certainty does not justify the use of a rigid rule in every instance.<sup>427</sup> The need may be met by

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<sup>419</sup> *Id.* at 754.

<sup>420</sup> *See id.* at 754–56 (citing and generally discussing Mullally, *supra* note 372).

<sup>421</sup> *See id.* Part II.B (discussing various works that address issues of claim construction).

<sup>422</sup> *Festo Corp.*, 234 F.3d at 575.

<sup>423</sup> *Id.* at 577.

<sup>424</sup> *Id.*

<sup>425</sup> *Id.* at 577–78.

<sup>426</sup> *See* Thomas, *supra* note 16, at 786 (“[T]he Supreme Court’s decision largely vindicates increasingly restrictive Federal Circuit practices regarding the doctrine of equivalents. The Supreme Court left only three slender opportunities for overcoming prosecution history estoppel . . .”).

<sup>427</sup> *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 735, 739 (2002) (“The Court of Appeals ignored the guidance of *Warner-Jenkinson* . . . [in which the petitioner] requested another bright-line rule that would have provided more certainty in determining when

particular patent law doctrines, such as the definiteness requirement, such that other doctrines need not utilize rule-like tests. Or the need for certainty may be sufficiently taken into account by particular conceptions of patent law doctrines, like prosecution history estoppel, without resort to rule-like tests governing those doctrines.<sup>428</sup> Thus, the desire for certainty in patent law does not necessarily justify rule-based adjudication in every instance.

In addition to the Federal Circuit judges, Professor Golden has focused on the uniqueness of patent law as possible support for rule-based adjudication. He has explained that the Federal Circuit's "formal rules . . . whatever their faults, appear intended to promote goals of certainty, predictability, and fidelity to recent directions from the Supreme Court."<sup>429</sup> As to the source of these goals, he cites the history of the legislation that created the Federal Circuit.<sup>430</sup> But he also cites the view that certainty and predictability in patent law are "particularly important to private planning and commerce."<sup>431</sup> Indeed, "a certainty-promoting jurisprudence might be understood as . . . supporting 'a relatively robust' patent system in which commercial actors will invest."<sup>432</sup>

Professor Dreyfuss has recognized both that predictability is a "value that the [patent] industry holds in high esteem"<sup>433</sup> and that the Federal Circuit's success in increasing predictability "has very much pleased the patent industries."<sup>434</sup> Indeed, one particular practitioner who played a role in the formation of the Federal Circuit, Donald Dunner, has explained that, in his view, the Federal Circuit "has used bright-line rules to create uniformity, and where not necessary, it's used flexible rules."<sup>435</sup> But while he thinks the Federal Circuit "has done remarkably well in achieving *uniformity*"<sup>436</sup> by resolving conflicts in patent law that existed among the regional circuits, he laments that his ability to "*predict* the outcome of a Federal Circuit case has been diminished very significantly."<sup>437</sup>

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estoppel applies but at the cost of disrupting the expectations of countless existing patent holders. We rejected that approach . . .").

<sup>428</sup> See *id.* at 727, 739 (acknowledging that competitors may rely on prosecution history estoppel to reduce uncertainty while rejecting use of a bright line rule).

<sup>429</sup> Golden, *supra* note 11, at 681.

<sup>430</sup> *Id.* at 719 n.364 (citing H.R. REP. NO. 97-312, at 20 (1981); S. REP. NO. 97-275, at 5 (1981)).

<sup>431</sup> *Id.* at 687.

<sup>432</sup> *Id.* at 685 (citing Stuart Minor Benjamin & Arti K. Rai, *Who's Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269, 314 (2007)).

<sup>433</sup> Dreyfuss, *supra* note 191, at 792.

<sup>434</sup> *Id.* at 798.

<sup>435</sup> U.S. Court of Appeals for the Fed. Circuit 20th Anniversary Judicial Conference, 217 F.R.D. 548, 562 (2002).

<sup>436</sup> *Id.* at 560 (emphasis added).

<sup>437</sup> *Id.* at 561 (emphasis added). Mr. Dunner's views highlight that, while uniformity increases certainty, it does not necessarily result in perfect certainty. The uniform law developed by the Federal

Professor Dreyfuss has emphasized that the predictability of patent law is “especially prized” because those subject to patent law’s constraints “base their decisions to invest in innovation upon their expectations of achieving patent protection.”<sup>438</sup> Her point, of course, focuses on potential patent applicants. She highlights that potential innovators are potential patent applicants, and she suggests that they decide whether to engage in the potentially risky behavior of attempted innovation based less on the accuracy of patentability determinations by the Patent Office and courts than on the predictability of those determinations.<sup>439</sup> Professor Dreyfuss does not cite any empirical support for this proposition, but instead relies upon intuition. Quoting Judge Henry Friendly, she suggests that businesspeople plan their activities with an eye toward the law governing patentability, in contrast with criminals who “do not plan their activity with an eye fixed on the Bill of Rights, the Federal Penal Code, or the rules of evidence applicable in criminal trials.”<sup>440</sup> To assist businesspeople, Professor Dreyfuss suggests that legal rules may be helpful. And she suggests that a specialized court may be better than a generalized court to craft these legal rules. She summarizes these points succinctly by stating that “actors who make decisions in reliance on legal rules benefit more from specialization than do . . . actors who look primarily to the law’s compensatory aspects.”<sup>441</sup>

Professor Dreyfuss’s point may be expanded to cover the broader group of potential innovators I have already mentioned, in particular those contemplating the ability to avoid infringing others’ patents. In this context as well, intuition seems to indicate that potential innovators would prefer predictability over accuracy. Of course there are various other legal doctrines about which potential innovators surely also care. For example, potential innovators no doubt care about remedies, including both damages calculations and injunctive relief.

There are, of course, competing views and concerns. Chief Judge Young from the District of Massachusetts, for example, has harshly criticized the Federal Circuit for its “careful delineation of ever more

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Circuit and the Supreme Court may or may not be predictable; that is one of many challenges confronting the courts.

<sup>438</sup> Dreyfuss, *supra* note 183, at 419.

<sup>439</sup> *Id.* In this regard, note that the potential patent applicant is perfectly happy with an inaccurate determination that its innovation is patentable even if the “right” determination is that its innovation is not patentable. The potential patent applicant is never happy if its prediction regarding patentability is incorrect. In that situation, the potential patent applicant has either wasted its effort in attempting to secure a patent (and potentially invested money in research and development that will not provide any return on its investment given the lack of a patent), or not engaged in the research and development in the first place when a patent could have been obtained on the invention.

<sup>440</sup> *Id.* at 420 n.182 (quoting Henry Friendly, *Averting the Flood by Lessening the Flow*, 59 CORNELL L. REV. 634, 639 (1974)) (internal quotation marks omitted).

<sup>441</sup> *Id.* at 420.

explicit and detailed rules, a ‘patent code,’ if you will.”<sup>442</sup> He blames the fact that, “[u]nlike the other circuit courts of appeal, the Federal Circuit came into being, in part, pursuant to an express Congressional mandate to foster uniformity in the application of the law of patents.”<sup>443</sup> Highlighting the Federal Circuit’s insistence on creating a bright-line rule in *Festo*, Judge Young contrasts the Federal Circuit’s perceived mandate with the mandate of every district court—litigation on a case-by-case basis with a special role for juries to decide disputes.<sup>444</sup> In Judge Young’s words, it is a “[s]mall wonder, then, that intellectual tension exists as the [Federal Circuit] struggles to impose its vision and to shape the views of those courts that rightly consider themselves the prime guardians of the most vital expression of direct democracy in America today—the jury of the people.”<sup>445</sup>

Thus, Judge Young rejects the Federal Circuit’s preference for bright-line rules in view of two general principles: (1) that the law should provide flexibility to judges to handle matters on a case-by-case basis; and (2) that legal issues should be submitted to juries rather than decided by judges based on bright-line rules.<sup>446</sup> What all of this highlights is that, to the extent that any argument is made in favor of rule-based adjudication based on notions of uniformity and certainty derived from patent exceptionalism, that argument must overcome these general principles of law and others like them. Indeed, it seems appropriate to place the burden of persuasion on the proponent of rule-based adjudication.

## 2. *The Impact of Policies Supporting Rule-Based Adjudication on Particular Patent Law Doctrines*

At the heart of the fourth basis for invoking certainty to justify rule-based adjudication in patent law is the question whether patent law really is exceptional, that is whether it is so unique that it should be treated differently than other areas of the law.<sup>447</sup> One argument in favor of patent law exceptionalism hinges on property law exceptionalism. A patent right is a property right, so the argument goes, and property rights are exceptional compared to other areas of the law in the sense that bright-line

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<sup>442</sup> *Control Res., Inc. v. Delta Elecs., Inc.*, 133 F. Supp. 2d 121, 124 (D. Mass. 2001).

<sup>443</sup> *Id.* at 123.

<sup>444</sup> *Id.* at 124–25.

<sup>445</sup> *Id.*

<sup>446</sup> *Id.* at 124.

<sup>447</sup> For an analysis of patent law exceptionalism as compared to antitrust law, see C. Scott Hemphill, *Paying for Delay: Pharmaceutical Patent Settlement as a Regulatory Design Problem*, 81 N.Y.U. L. REV. 1553, 1597–604 (2006). For a retort to arguments that patent law is by its very nature exceptional, see Liivak, *supra* note 288, at 1169–73.

rules are necessary to spur investment in property.<sup>448</sup> Indeed, as Professor Kennedy has noted, “[T]he first self-conscious general statement of principles for the choice of form, at least by an American, is [Professor Roscoe] Pound’s *Theory of Judicial Decision*, published in 1923.”<sup>449</sup> Professor Pound’s thesis was that “rules of law . . . which are applied mechanically are more adapted to property and to business transactions; standards where application proceeds upon intuition are more adapted to human conduct and to the conduct of enterprises.”<sup>450</sup>

If Pound was correct, then the relevant question is whether patent law—or, more precisely, issues raised in patent law—are more like “property and . . . business transactions” or “human conduct and . . . the conduct of enterprises.”<sup>451</sup> These categories are rather vague and, anyway, it could be argued that patent law fits within both categories in different circumstances. But the underlying reason for distinguishing between these categories is that decision making regarding property and business transactions is made *ex ante* in the view of the law, and therefore the law should be identifiable, clear, and predictable to encourage optimal investments in property and other business transactions. Other forms of human conduct may not involve making *ex ante* decisions based on assessments of risk and cost. Examples include potentially criminal or tortious behavior by individuals and enterprises.<sup>452</sup>

Applied to patent law, the question is whether, *ex ante*, patent applicants, patent owners, and potential infringers consider risks and costs associated with their technology-based activities, and whether they would invest more heavily in these activities if the risk and cost could be reduced by the adoption of more formal, rule-like tests governing the relevant aspects of patent law. It seems apparent that rational patent applicants, patent owners, and potential infringers would consider these risks and costs

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<sup>448</sup> See Liivak, *supra* note 288, at 1167–68 (“Building a patent narrative around traditional property is a revolutionary step forward.”); see also *id.* at 1182 (“[T]he genius of a property rights system is that it relies on . . . judicial discretion as little as possible.” (quoting JAMES BESSEN & MICHAEL J. MEURER, PATENT FAILURE 222 (2008))) (internal quotation marks omitted). This argument must overcome significant differences between patent rights and real property rights, including the ephemeral and non-rivalrous nature of ideas. See *id.* (“[T]raditional property deals with scarce, rival resources . . . . Nonrival ideas that are at the heart of patent law just do not seem to fit.”).

<sup>449</sup> Kennedy, *supra* note 30, at 1702.

<sup>450</sup> *Id.* (alteration in original) (quoting Roscoe Pound, *The Theory of Judicial Decision*, III, 36 HARV. L. REV. 940, 951 (1923)) (internal quotation marks omitted).

<sup>451</sup> Pound, *supra* note 450, at 951.

<sup>452</sup> That is not to say that there are not other reasons to favor bright-line rules to govern even these areas of law. In criminal law, for example, the fact that legal tests will be applied by law enforcement personnel provides an independent basis to favor bright-line rules in some circumstances. See, e.g., *Bailey v. United States*, 133 S. Ct. 1031, 1045 (2013) (Scalia, J., concurring) (indicating that a “clear rule simplifies the task of officers who encounter occupants during a search”). Identifying the legal decision-maker and determining whether to constrain their discretion are important factors in considering rule-based adjudication, a topic that I address next.

in advance if they had access to this information, and that they would invest more heavily in their activities if that risk and cost could be reduced. Whether these parties act rationally and whether this information is freely available is another, perhaps intractable question.

Another approach centers around answering the question of whether a rule would be helpful to narrow options available to the relevant legal decision-makers. As Professor Frederick Schauer has explained, “Formalism . . . achieves its value when it is thought desirable to narrow the decisional opportunities and the decisional range of a certain class of decisionmakers.”<sup>453</sup> In the context of patent law, relevant potential decision-makers include patent examiners, juries, and judges. To the extent that their decisions can be made more predictable, then patent applicants, patent owners, and potential infringers may discount the cost associated with risk and invest more heavily in productive activities.<sup>454</sup> Identifying the decision-makers related to specific patent law doctrines, then, may go a long way towards identifying whether certainty (in both its forms of clarity and predictability) deserves substantial weight in the formation of governing legal tests. The ultimate question using this approach, then, is whether particular decision-makers should be given discretion or have their discretion constrained.

Within patent law, decision making sometimes is exclusive to one decision-maker, but more often is nonexclusive. Patent examiners consider only issues concerning patent eligibility and validity; they do not consider issues of infringement, damages, or injunctions. Juries consider questions of fact, some of which overlap with the purview of patent examiners, like invalidity by anticipation, and some of which do not, like infringement and damages. Juries may also give advisory verdicts on questions of law that are based on subsidiary questions of fact, like obviousness, but they do not consider other questions of law, such as claim construction and injunctive relief. Judges at one point or another may consider every issue raised in a patent case, particularly in view of the ability to consider motions for summary judgment and judgment as a matter of law, but they have final decision-making power only on issues that ultimately are questions of law, like claim construction, obviousness, and injunctive relief.

Juries, the proverbial black box, of course are notorious for unpredictability. The average juror likely has little experience with technology generally, let alone the technology raised in a particular patent case. Presumably he or she lacks any knowledge of the governing law, and patent law is extraordinarily complex as shown by the long and detailed

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<sup>453</sup> Schauer, *supra* note 49, at 544.

<sup>454</sup> See, e.g., Harry Surden, *Efficient Uncertainty in Patent Interpretation*, 68 WASH. & LEE L. REV. 1737, 1740–41 (2011) (describing costs to potential infringers of ambiguous patent claims).

model jury instructions provided for use in patent cases.<sup>455</sup> As a result, at least based on this mode of analysis, patent law issues decided by juries are prime targets for rule-based tests.

Likewise, very few judges have technical degrees or backgrounds, let alone technical knowledge matching the field of particular patent cases. This lack of technical knowledge is compounded to the extent a judge has little experience with patent cases and therefore less knowledge of the governing law. Moreover, if Justice Scalia is correct, “[f]ederal judges . . . are not interested in . . . getting into the weeds of patent law.”<sup>456</sup> And there is reason to think that he is correct.<sup>457</sup> The judges of the Federal Circuit and the district court judges electing to participate in the Patent Pilot Program may be some of the only exceptions. Regardless, when these concerns exist, courts have a better basis to consider the appropriateness of rule-based tests for patent law issues decided by judges.

It is not surprising that rule-based adjudication may seem appropriate for decision making by juries and some judges in patent cases, at least to the extent these cases involve highly complex, technical subject matter. Professor Lee has explained that one of the purposes and effects of rule-based adjudication in patent law is to reduce the need to engage in the difficult task of sorting through complex technical information.<sup>458</sup> To the extent that he is correct, his analysis applies specifically to juries and courts but less so to patent examiners given their technical expertise.<sup>459</sup> Taken to its extreme, however, this justification for the use of rule-based adjudication—a need to constrain the decision-making power of juries and judges—creates the problem highlighted by Professor Rai where the Federal Circuit decides factual matters in patent cases using the *de novo*

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<sup>455</sup> See, e.g., THE NAT’L JURY INSTRUCTION PROJECT, MODEL PATENT JURY INSTRUCTIONS (2009), available at <http://www.nationaljuryinstructions.org/documents/NationalPatentJuryInstructions.pdf> (consisting of sixty-five pages of jury instructions).

<sup>456</sup> Transcript of Oral Argument at 48, *Gunn v. Minton*, 133 S. Ct. 1059 (2013) (No. 11-1118).

<sup>457</sup> See Mark D. Janis, *Patent Law in the Age of the Invisible Supreme Court*, 2001 U. ILL. L. REV. 387, 388 & n.3 (describing “traditional judicial disenchantment with patent cases” and citing statements by past Supreme Court Justices).

<sup>458</sup> Lee, *Patent Law and the Two Cultures*, *supra* note 16, at 4–7.

<sup>459</sup> Given Professor Lee’s analysis, it is somewhat ironic that the Federal Circuit favors reducing engagement with complex technical information, but the Supreme Court does not. See *id.* at 41 (explaining that the Federal Circuit adheres to “formalistic jurisprudence,” which allows for less familiarity with technical knowledge); *id.* at 42 (suggesting that the Supreme Court has adopted a “holistic” approach, which “will increase technological engagement”). The Federal Circuit—which, based on its exclusive jurisdiction, has the most experience dealing with cases involving complex technical information and therefore might be most comfortable with complex technical information—appears to discount the ability of district court judges to sort through complex technical information. But the Supreme Court—which has the least experience dealing with these cases and therefore presumably is least comfortable with complex technical information—does not.

standard of review.<sup>460</sup> That is, the decision-making power of juries and judges is constrained the most when an issue is determined to be a matter of law subject to de novo review by the Federal Circuit.

To the extent that an issue requires a decision by a patent examiner, this mode of analysis may still allow for a rule-like test. The reason, however, is not an inability to understand complex technical subject matter, but the possibility of inconsistent applications of patent law. Inconsistency may result from the sheer number of patent examiners,<sup>461</sup> the probability that patent examiners have varying knowledge of the governing law,<sup>462</sup> and the lack of incentives on patent examiners to use any discretion provided by the law evenhandedly in an ex parte proceeding. Thus, given the various concerns with respect to all three types of potential decision-makers in the field of patent law, there is good reason at least to *consider* the appropriateness of rule-based adjudication for particular patent law issues.

When legal issues in patent cases are determined multiple times by multiple decision-makers, moreover, rule-based adjudication may be particularly appropriate. Consider patentability issues. Any decision regarding patentability by a patent examiner is subject to reconsideration by juries, judges, or both, either in a direct appeal or in a collateral challenge in a patent infringement lawsuit. An example is the novelty requirement of 35 U.S.C. § 102.<sup>463</sup> The fulfillment of this requirement is potentially presented to patent examiners, juries, and judges. In this regard, note that, as discussed above, the Supreme Court moved patent law *toward* a rule-based test in *Pfaff* based on a concern with the uncertainty of the Federal Circuit's totality-of-the-circumstances test.<sup>464</sup>

Now consider claim construction. The meaning of claim language is a central concern in patent litigation because it affects the vast majority of other legal issues that arise in patent cases. Indeed, the meaning of the claim language affects all issues of patentability (eligibility, novelty, barring activities, non-obviousness, and disclosure requirements) and infringement. Thus, it is unsurprising that the Supreme Court in *Markman* confirmed the Federal Circuit's decision that judges, rather than juries, should determine the meaning of claim language given concerns with

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<sup>460</sup> See Rai, *supra* note 16, at 1042–65 (describing the Federal Circuit as “arrogat[ing] power over factual questions”).

<sup>461</sup> The Patent Office employs several thousand patent examiners. *Patent Examiner Positions*, U.S. PATENT & TRADEMARK OFF., <http://www.uspto.gov/web/offices/pac/exam.htm> (last visited Aug. 25, 2013).

<sup>462</sup> Patent examiners need not be law school graduates. *See id.* (listing qualification requirements).

<sup>463</sup> 35 U.S.C. § 102 (Supp. V 2011).

<sup>464</sup> *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 65–66 & n.11 (1998); *see supra* Part IV.B.2.a.

uniformity and certainty.<sup>465</sup>

Not only is the identity of the decision-maker a key component regarding the appropriateness of rule-based adjudication in patent cases, but the nature of the legal question is also critically important. To the extent the legal question depends on potentially subjective views of circumstances, the legal question may be better suited for a rule-based test. Primary examples include the non-obviousness requirement of 35 U.S.C. § 103(a) and the doctrine of equivalents.<sup>466</sup> In this regard, note the tension between the Federal Circuit and the Supreme Court with respect to the extent to which the governing law should reflect the policy of certainty. In *KSR* the Supreme Court rejected the Federal Circuit's rigid application of the TSM test as a component of the non-obviousness analysis.<sup>467</sup> The Federal Circuit's test provided more certainty. The Supreme Court, however, tempered the doctrine, injecting it with more flexibility, yet nevertheless still accepting the usefulness of identifying a reason to combine the prior art before reaching a conclusion of obviousness.<sup>468</sup> Likewise, in *Festo* the Federal Circuit and Supreme Court decisions display contrary views of the importance of certainty in formulating a test for constraining application of the doctrine of equivalents using prosecution history estoppel.<sup>469</sup>

In short, given the nature of patent law and the importance of certainty to patent applicants, patentees, and potential infringers, there is reason to consider whether rule-based adjudication may be appropriate in particular circumstances with respect to particular patent law doctrines. The resolution of whether rule-based adjudication is appropriate with respect to specific patent-law doctrines is beyond the scope of this Article. But this Article has presented a framework for considering the degree to which rule-based adjudication might be appropriate in any circumstance. The appropriate adjudicatory approach depends on the extent to which the doctrine in question should reflect the goal of certainty, and to what extent it should reflect other goals including flexibility, fairness, and justice. In making these determinations, the identity of the decision-makers and the nature of the legal question are important variables in the analysis. Indeed,

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<sup>465</sup> *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 391 (1996). The Federal Circuit is currently considering the question of whether it should review district court claim constructions with deference. See generally *Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 500 Fed. App'x. 951 (Fed. Cir. 2013) (per curiam) (granting rehearing en banc).

<sup>466</sup> 35 U.S.C. § 103(a) (2006) (non-obviousness); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 732 (2002) (doctrine of equivalents).

<sup>467</sup> *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415 (2007).

<sup>468</sup> *Id.* at 418.

<sup>469</sup> Compare *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558, 569 (Fed. Cir. 2000) (suggesting that prosecution history estoppel is a complete bar to the application of the doctrine of equivalents), with *Festo Corp.*, 535 U.S. at 737–38 (2002) (adopting a flexible bar approach when analyzing prosecution history estoppel and the doctrine of equivalents).

it is important to consider the underlying goals sought to be achieved by the legal question, the level of confidence in the ability of a rule or a standard to achieve the identified underlying goals, and the level of confidence in the ability of the decision-makers who might be called upon to enforce the rule or standard.

B. *The Roles of the Supreme Court and Federal Circuit with Respect to Rule-Based Adjudication*

Given the reasons for the Federal Circuit to increase certainty in patent law, the next normative inquiry asks *how* the Federal Circuit should do so, and how the Supreme Court should review the Federal Circuit's decisions seeking to increase certainty.

1. *The Federal Circuit's Role*

It is the Federal Circuit's role, in the first instance, to consider the appropriateness of rule-based adjudication, to adopt it when appropriate based on the court's analysis of the need for certainty, and to provide a well-reasoned and well-documented explanation of that analysis for review by the litigants, the patent bar, and the Supreme Court. It is the Supreme Court's role, in turn, to question the appropriateness of rule-based adjudication when it is adopted by the Federal Circuit, to reject it when it is not appropriate based on its own analysis of the need for certainty, and to provide helpful explanations of its decisions to reject rule-based adjudication in favor of standard-based adjudication. In this way, the Federal Circuit and the Supreme Court may engage in a dialogue concerning the appropriateness of rule-based adjudication in patent law and, ultimately, reach a balanced approach to the law that takes into account the goal of certainty—which as discussed above exists generally in the law but may have more importance in patent law—as well as the countervailing interests in flexibility and accuracy.

a. *Practicing Humility Through Detailed Self-Examination*

There are certain things the Federal Circuit can and should do to ensure that patent law is not burdened by excessive rule-based adjudication. First, the Federal Circuit should practice humility through detailed self-examination of its law favoring rule-like tests. In this regard, the Federal Circuit's opinions to date often include little discussion of the underlying policies driving the court's decisions. Indeed, judges at the Federal Circuit have indicated that, as a general rule, they purposefully avoid including policy discussion in their opinions.<sup>470</sup> To the extent a

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<sup>470</sup> See Newman, *supra* note 400, at 688 (describing reasons for refraining from addressing policy in judicial opinions); Plager & Pettigrew, *supra* note 26, at 1750–52 (same); see also O'Malley, *supra*

general rule of avoiding policy discussion is appropriate, discussion of certainty should be an exception. That is, Federal Circuit judges should expressly note instances in which they believe the interest of certainty justifies rule-like tests in patent law. In other words, they should explain why the use of rules over standards is justified by the interest in achieving certainty. To omit this policy-based reasoning is to invite the Supreme Court to discount the importance of certainty—and given its lack of experience in patent cases, the Court may not appreciate the value of that certainty in particular circumstances. Once the Federal Circuit includes this policy-based analysis, it will begin the process of engaging the Supreme Court in a dialogue regarding the appropriateness of rule-based adjudication in patent law.

Until relatively recently the two courts had not engaged in that dialogue very often. As discussed above, the Federal Circuit's decision in *Festo* provides an example of express consideration of certainty as a potential justification for rule-based adjudication on the issue of the doctrine of equivalents.<sup>471</sup> Another example, albeit an awkward one, occurred *after* the Supreme Court granted certiorari in *KSR* to consider the requirement of non-obviousness but *before* the Supreme Court's oral argument. During that time period, the Federal Circuit issued several opinions explaining how the TSM requirement was a flexible rather than an overly rigid rule and, anyway, appropriate because it advanced the policy of predictability.<sup>472</sup> In the end, the Supreme Court took note of these opinions,<sup>473</sup> and, to some degree, agreed with the Federal Circuit by holding that, "[o]ften, it will be necessary for a court . . . to determine whether there was an apparent *reason to combine* . . . known elements in the fashion claimed by the patent at issue."<sup>474</sup>

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note 376, at 98 ("[T]he Supreme Court has made it abundantly clear that neither the character of patent law nor the unusual character of our jurisdiction permits us to don a policy-making mantle or to create special rules for patent cases.").

<sup>471</sup> See *supra* Part V.A.1.d (discussing the *Festo* decision in relation to the doctrine of equivalents).

<sup>472</sup> See, e.g., *DyStar Textilfarben GmbH v. C.H. Patrick Co.*, 464 F.3d 1356, 1367 (Fed. Cir. 2006) ("Our suggestion test is in actuality quite flexible and not only permits, but *requires*, consideration of common knowledge and common sense."); *Alza Corp. v. Mylan Labs., Inc.*, 464 F.3d 1286, 1291 (Fed. Cir. 2006) ("There is flexibility in our obviousness jurisprudence because a motivation may be found *implicitly* in the prior art. We do not have a rigid test that requires an actual teaching to combine . . . . In conclusion, our approach has permitted us to continue to address an issue of law not readily amenable to bright-line rules, as we recall and are guided by the wisdom of the Supreme Court in striving for a 'practical test of patentability.'" (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)); *In re Kahn*, 441 F.3d 977, 987 (Fed. Cir. 2006) ("[T]he Board must provide some rationale, articulation, or reasoned basis to explain why the conclusion of obviousness is correct. The requirement of such an explanation is consistent with governing obviousness law, and helps ensure predictable patentability determinations." (citation omitted)).

<sup>473</sup> *KSR Int'l Co.*, 550 U.S. at 418, 421.

<sup>474</sup> *Id.* at 418 (emphasis added).

Today, the balance between the Supreme Court's preference for standard-based adjudication and the Federal Circuit's preference for rule-based adjudication is playing out in the context of the Supreme Court's continued review of Federal Circuit decisions regarding the law governing patent eligibility. Indeed, the Supreme Court has recently addressed all three of the judicially-created exceptions to patent eligibility. In *Bilski*, the Court addressed the exception for abstract ideas.<sup>475</sup> In *Mayo*, it addressed the exception for laws of nature.<sup>476</sup> And in *Myriad*, it effectively addressed the exception for physical phenomena, although the court described the exception as the one for laws of nature.<sup>477</sup> Only in *Myriad* did the Court provide any rule-like test, applying a "rule against patents on naturally occurring things."<sup>478</sup>

In *Bilski*, the Supreme Court failed to identify any guidelines for analyzing the patent eligibility of alleged abstract ideas.<sup>479</sup> Likewise, in *Mayo*, the Court provided only vague pronouncements concerning the appropriate test for determining patent eligibility of applications of natural laws.<sup>480</sup> Those pronouncements not only seemingly contradict prior Supreme Court precedent directly on point,<sup>481</sup> but also seemingly combine the concepts of patent eligibility, enablement, novelty, and non-obviousness into one unwieldy test,<sup>482</sup> invite subjective decision making; and thus fail to provide any real constraint on the discretion of examiners and courts considering patent eligibility. In view of these developments, the Federal Circuit has noted that the lack of direction for fact-finders has

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<sup>475</sup> See *Bilski v. Kappos*, 130 S. Ct. 3218, 3221–22 (2010) (ruling that a method of hedging risk in commodities trading falls under the abstract idea exception).

<sup>476</sup> See *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012) (ruling that a method for calibrating the proper dosage of thiopurine drugs falls under the law of nature exception).

<sup>477</sup> See *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2117–18 (2013) (evaluating whether a patent covering a sequence of human genes falls under the law of nature exception).

<sup>478</sup> *Id.* at 2116.

<sup>479</sup> See *Bilski*, 130 S. Ct. at 3230–31 (relying on an analysis of prior cases rather than application of particular factors when deciding what constitutes an abstract idea).

<sup>480</sup> See *Mayo Collaborative Servs.*, 132 S. Ct. at 1294 (referring to conditions that must be satisfied in order to transform "unpatentable natural laws into patent-eligible applications of those laws").

<sup>481</sup> Compare *Diamond v. Diehr*, 450 U.S. 175, 188–89 (1981) ("The 'novelty' of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter."), with *Mayo Collaborative Servs.*, 132 S. Ct. at 1294 ("[T]he Court's precedents . . . insist that a process that focuses upon the use of a natural law also contain other elements or a combination of elements, sometimes referred to as an 'inventive concept,' sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the natural law itself." (quoting *Parker v. Flook*, 437 U.S. 584, 594 (1978))).

<sup>482</sup> *Mayo Collaborative Servs.*, 132 S. Ct. at 1303–04.

caused “great uncertainty.”<sup>483</sup> As a result, it has advocated the extreme solution of *avoiding the law governing patent eligibility* to “bring a degree of certainty to the interests of both patentees and their competitors in the marketplace.”<sup>484</sup> The court also recently attempted—but failed, badly—to speak as one voice on the issue of eligibility of computer-related inventions to provide the certainty so many of its judges desire.<sup>485</sup>

While Professor Duffy has argued that any effort to define rules for patent eligibility is destined for failure,<sup>486</sup> again an appropriate question to ask is what degree of formalism is appropriate in this context. If rules and standards lie on the extreme ends of a continuum, then one still might attempt to select the appropriate location on the continuum between rule-based adjudication and standard-based adjudication. Indeed, a debate over the need for certainty within the Federal Circuit and between the Federal Circuit and the Supreme Court on patent eligibility and other doctrines would be healthy.

Similarly, while some might argue that the increasing number and proportion of cases in the last decade where the Supreme Court rejected Federal Circuit tests as overly rule-bound indicates that there is a problem,

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<sup>483</sup> *CLS Bank Int'l v. Alice Corp.*, 685 F.3d 1341, 1348–49 (Fed. Cir. 2012), *vacated*, 484 Fed. App'x. 559 (per curiam) (granting rehearing en banc).

<sup>484</sup> *See MySpace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1260 (Fed. Cir. 2012) (“[C]ourts could avoid the swamp of verbiage that is § 101 by exercising their inherent power to control the processes of litigation, and insist that litigants initially address patent invalidity issues in terms of the conditions of patentability defenses as the statute provides, specifically §§ 102, 103, and 112. If that were done in the typical patent case, litigation over the question of validity of the patent would be concluded under these provisions, and it would be unnecessary to enter the murky morass that is § 101 jurisprudence. This would make patent litigation more efficient, conserve judicial resources, and bring a degree of certainty to the interests of both patentees and their competitors in the marketplace.” (citation omitted)). Not all Federal Circuit judges agree, however. In Judge Mayer’s view, “[t]he issue of whether a claimed method meets the subject matter eligibility requirements contained in 35 U.S.C. § 101 is an ‘antecedent question’ that must be addressed before this court can consider whether particular claims are invalid as obvious or anticipated.” *Id.* at 1264 (Mayer, J., dissenting) (citing *In re Comiskey*, 554 F.3d 967, 975 n.7 (Fed. Cir. 2009)).

<sup>485</sup> *See CLS Bank Int'l v. Alice Corp.*, 717 F.3d 1269, 1273 (Fed. Cir. 2013) (en banc) (per curiam) (affirming the district court’s holding, by a majority vote but without a controlling opinion, that “asserted method and computer-readable media claims are not directed to eligible subject matter under 35 U.S.C. § 101,” and affirming the district court’s holding, by an equally divided court, that “the asserted system claims are not directed to eligible subject matter under the statute”); *see also id.* at 1321 (Newman, J., dissenting) (“The ascendance of section 101 as an independent source of litigation, separate from the merits of patentability, is a new uncertainty for inventors. The court, now rehearing this case en banc, hoped to ameliorate this uncertainty by providing objective standards for section 101 patent-eligibility. Instead we have propounded at least three incompatible standards, devoid of consensus, serving simply to add to the unreliability and cost of the system of patents as an incentive for innovation.”); *id.* at 1335 (Rader, C.J., additional reflections) (“I enjoy good writing and a good mystery, but I doubt that innovation is promoted when subjective and empty words like ‘contribution’ or ‘inventiveness’ are offered up by the courts to determine investment, resource allocation, and business decisions.”).

<sup>486</sup> *See Duffy, supra* note 64, at 614 (arguing that rules defining patent eligibility always fail in the long run because the innovation that spurs changing circumstances renders existing rules obsolete).

this actually indicates the institutional system is functioning correctly. It is the role of a generalist court of last resort to view rule-based adjudication by a more specialized court with suspicion and, in the absence of well-reasoned justification for rule-based adjudication, to overturn the rule-based test created by the more specialized court. And if the court of last resort lacks sufficient expertise to provide an independent analysis of the benefits and costs associated with rule-based adjudication as applied to a particular doctrine, all it can and should do is review the reasoning of the more specialized court's evaluation and reject that reasoning when it is not persuaded.

The burden on the Federal Circuit to explain its basis for favoring rule-based adjudication is particularly high when it reverses its own precedent in favor of rule-based adjudication. This is because the certainty that is advanced by the general legal principle of *stare decisis* weighs against reversing precedent, and so any certainty gained by advancing a rule-like test must exceed the uncertainty created by changing the law. This is exactly the situation that confronted the Federal Circuit in *Festo*, given that it was enforcing a radical change in the law governing the doctrine of equivalents and prosecution history estoppel, and so in its opinion it provided a detailed explanation of the importance of certainty in the context of questions of infringement.<sup>487</sup> But even when the Federal Circuit *sustains* rule-based adjudication based on its own precedent, its predecessor court's precedent, or even the Supreme Court's precedent, the Federal Circuit should consider providing a detailed and well-reasoned justification so that the Supreme Court may serve its own role in the present institutional system by analyzing the strength of that justification.

Indeed, the need to provide detailed and well-reasoned justification for rule-based adjudication may be most pronounced where rule-based adjudication would run contrary to general principles of law drawn from non-patent cases, that is, instances of rule-based patent law exceptionalism. In other words, the Federal Circuit should provide detailed and well-reasoned justification for patent law to differ from the rest of the law with respect to the choice between rule-based adjudication and standard-based adjudication. There may be reasons for doing so, including the difficulty of legal decision-makers to engage in standard-based adjudication and associated concerns with costs imposed on patent applicants, patentees, and potential infringers. But, whatever the reasons, the Federal Circuit should clearly identify them and provide a well-reasoned, policy-based explanation—despite judges' potential uncomfortableness in doing so<sup>488</sup>—

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<sup>487</sup> See *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558, 575 (Fed. Cir. 2000) (discussing the problems with the flexible bar approach), *vacated*, 535 U.S. 722 (2002).

<sup>488</sup> See, e.g., Plager, *supra* note 418, at 773–74 (indicating uncomfortableness addressing policy in judicial opinions).

to ensure appropriate consideration of the value of certainty and rule-based adjudication by the Supreme Court.

b. Identifying Rule-Like Tests Worthy of Reconsideration

Second, the Federal Circuit judges should signal when cases enforcing rule-based adjudication are worthy of en banc or Supreme Court review. Dissenting opinions written by Federal Circuit judges disagreeing with panel decisions and especially the en banc court may highlight excessive use of rules. Likewise, parties and scholars should continue to highlight overly-formalistic, rule-based holdings of the Federal Circuit. Amicus briefs by non-parties, including individual companies, organizations of companies, and organizations of patent attorneys, all should assist both the Federal Circuit and Supreme Court in vetting rule-bound areas of patent law in need of reconsideration. In short, the Federal Circuit and all other interested parties should seek to identify rule-like tests worthy of reconsideration by the Federal Circuit prior to the time the Supreme Court is asked to review a Federal Circuit decision on point. In this way, the Federal Circuit may police its own preference for rule-based adjudication. In addition, the Federal Circuit's view as to the appropriateness of rule-based adjudication may be guaranteed to be heard—unlike in *KSR* where the Federal Circuit judges addressed the question of excessive rule-based adjudication in one doctrinal area only after the Supreme Court had agreed to hear a case on point.

2. *The Supreme Court's Role*

Commentators and Federal Circuit judges routinely assign responsibility for the development of patent law to the Federal Circuit. This view of the role of the Federal Circuit, of course, is improper if it implies that the Federal Circuit bears ultimate responsibility for patent law. To the extent Congress and the President have given the judiciary responsibility for developing patent law,<sup>489</sup> it is the Supreme Court that bears ultimate responsibility for the law emanating from the judiciary, including the Federal Circuit. Indeed, it is the Supreme Court's responsibility to supervise the Federal Circuit and correct its errant ways by granting review of cases and reversing the Federal Circuit when appropriate.

Thus, it is the Supreme Court's role to question the appropriateness of rule-based adjudication when it is adopted by the Federal Circuit, to reject it when it is not appropriate, and to provide helpful explanations of its decisions to reject rule-based adjudication in favor of standard-based adjudication. As shown, a study of the history of the Supreme Court's

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<sup>489</sup> See Rai, *supra* note 16, at 1041 (suggesting Congress delegated policymaking responsibility in patent law to the judiciary).

review of patent cases decided by the Federal Circuit demonstrates that the Supreme Court may not have engaged in the proper role of a generalized court reviewing a semi-specialized court until relatively recently.<sup>490</sup>

The Supreme Court should police the Federal Circuit's preference for rule-based adjudication, but it should do so taking into consideration the normative bases supporting rule-based adjudication, and in particular the importance of certainty in patent law. The Supreme Court should recognize that it is the expected practice, indeed the preferred practice, of a semi-specialized court to consider the appropriateness of rule-based adjudication, particularly as the court's collective experience with legal subject matter, and therefore expertise with that legal subject matter, increases. It is the Supreme Court's role, however, not only to police the Federal Circuit's use of rule-based adjudication, but also to police its own preference for standard-based adjudication. In short, the Supreme Court should tend to permit rule-based adjudication when the Federal Circuit's opinions reasonably justify rules in light of the importance of certainty given the particular legal doctrine and the affected decision-makers, but also to demand standard-based adjudication when they do not.

a. Identifying Rule-Like Tests Worthy of Reconsideration

There are basic things the Supreme Court can and should do to increase its effectiveness in policing patent law for excess rule-based adjudication. First, the Supreme Court should expand its traditional bases for granting certiorari to the Federal Circuit to include the purpose of policing the Federal Circuit's perceived penchant for rule-based adjudication. Other than the parties' petitions for certiorari, the Supreme Court should look to the dissents of judges at the Federal Circuit, as well as amicus briefs for suggestions that patent law doctrines have become excessively rule-bound. The role of the Solicitor General of the United States and the Patent Office cannot be overlooked in this regard.<sup>491</sup> The Supreme Court has made it a practice of requesting the view of the United States regarding whether it should grant certiorari in patent cases, and the view of the United States is determined by the Solicitor General in consultation with various agencies of the federal government, including but

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<sup>490</sup> See *supra* Part IV.B (describing the history of the Supreme Court's decisions in relation to those of the Federal Circuit). As Professor Golden has pointed out, there is reason to think that the Supreme Court is not even a generalized court because of its focus on constitutional and statutory interpretation. Golden, *supra* note 11, at 674–86. If he is correct, that only bolsters the idea that the Supreme Court should exercise restraint in its review of Federal Circuit decisions to invoke rule-based adjudication in patent law.

<sup>491</sup> See John F. Duffy, *The Federal Circuit in the Shadow of the Solicitor General*, 78 GEO. WASH. L. REV. 518, 550–52 (2010) (discussing the importance of the Solicitor General's Office in deciding if patent law doctrines should be altered via Supreme Court review).

not limited to the Patent Office.<sup>492</sup> Thus, the individuals in those government positions should consider whether the Federal Circuit has enforced excessive rule-based adjudication in particular patent doctrines and report the consensus view to the Supreme Court.

If rule-based adjudication in patent law is inherently a problem, one solution is to make institutional changes with an eye toward overcoming the Federal Circuit's bias towards rules over standards. For example, as discussed above, some have suggested that the Federal Circuit's caseload should be diversified to emphasize general rather than specialized jurisdiction, while others have at least raised the possibility of eliminating the Federal Circuit. As a practical matter, at least in the short term, the recent influx of new judges without patent law experience or expertise may reduce the Federal Circuit's bias towards rules in patent cases if rule-making correlates to experience within the field.<sup>493</sup> Rule-based adjudication in patent cases, however, is not inherently a problem given potential justifications for use of rules in patent cases. And while *excess* rule-based adjudication may be a problem, it may be viewed, not as a symptom of underlying problems regarding the institutional structure in which the Federal Circuit exists, but as a reflection of the lack of adequate oversight by the Supreme Court when the Federal Circuit has engaged in rule-based adjudication. In particular, the Supreme Court should review petitions for certiorari to the Federal Circuit with an eye toward identifying unjustified rule-based adjudication—use of rules in the absence of policy-based justifications—and grant a sufficient number of petitions to provide the necessary oversight with respect to the plethora of issues that arise in patent cases.

#### b. Practicing Humility Through Restraint

Second, the Supreme Court should be careful to avoid going too far in enforcing standard-based adjudication that contradicts well-grounded policy justified by the Federal Circuit based on its experience and expertise

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<sup>492</sup> See *id.* at 525–31, 546 (describing increasing calls for the views of the Solicitor General in patent cases since 1994 and explaining that “the Solicitor General’s Office can also draw on the expertise found elsewhere in the executive branch; it may draw on the [US]PTO’s experience”); Gary M. Hoffman & Robert L. Kinder, *Supreme Court Review of Federal Circuit Patent Cases: Placing the Recent Scrutiny in Context and Determining if It Will Continue*, 20 DEPAUL J. ART TECH. & INTELL. PROP. L. 227, 247 (2010) (describing the importance of the views of the Solicitor General).

<sup>493</sup> Three of the four most recently confirmed judges did not have any notable experience with patent law prior to joining the court. See *Todd M. Hughes, Circuit Judge*, U.S. CT. APPEALS FOR FED. CIRCUIT, <http://www.cafc.uscourts.gov/judges/todd-m-hughes-circuit-judge.html> (last visited Dec. 2, 2013) (providing biographical details); *Jimmie V. Reyna, Circuit Judge*, U.S. CT. APPEALS FOR FED. CIRCUIT, <http://www.cafc.uscourts.gov/judges/jimmie-v-reyna-circuit-judge.html> (last visited Aug. 25, 2013) (same); *Evan J. Wallach, Circuit Judge*, U.S. CT. APPEALS FOR FED. CIRCUIT, <http://www.cafc.uscourts.gov/judges/evan-j-wallach-circuit-judge.html> (last visited Aug. 25, 2013) (same).

analyzing issues arising in patent cases.

As a preliminary matter, the Supreme Court should consider its own limitations in identifying when rule-based adjudication may be appropriate as applied to a particular patent law legal issue. In various remarks, Justice Scalia has highlighted his relative inexperience, lack of expertise, and even lack of interest in patent law. For example, in a concurring opinion in *Cardinal Chemical*, he recognized his own inexperience by noting that a particular point was “much less tied to general principles of law with which I am familiar, and much more related to the peculiarities of patent litigation, with which I deal only sporadically.”<sup>494</sup> In recent remarks reported by the American Bar Association, he conceded his lack of knowledge about patent law.<sup>495</sup> And in a recent oral argument, he confided his view that “[f]ederal judges, including this [f]ederal judge, are not interested in . . . getting into the weeds of patent law.”<sup>496</sup> There is no reason to think that, in these respects, Justice Scalia is not a representative sample of the Supreme Court Justices.

Perhaps in view of its relative inexperience and lack of expertise, the Supreme Court may have gone too far in rejecting rule-like tests in favor of standard-like tests governing patent law. In particular, as discussed above, two of the Court’s three recent opinions on patent eligibility have rejected defined constraints on the relevant decision-makers—patent examiners and judges—resulting in the kind of uncertainty and unpredictability that may be problematic for a property-based legal system, particularly for patent law. Indeed, as discussed by Professor Golden, the Supreme Court’s forays into patent law often result in bad law and uncertainty.<sup>497</sup> Thus, there are reasons to believe that the Supreme Court should temper its own understandable and desirable preference for standard-based adjudication when reviewing well-reasoned opinions by the Federal Circuit.

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At the beginning of the last decade of the Supreme Court’s review of Federal Circuit decisions governing patent law, Professor Duffy captured the essence of the benefit of adopting the respective roles of the Supreme

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<sup>494</sup> *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 103 (1993) (Scalia, J., concurring).

<sup>495</sup> Gaëtan Gerville-Réache, *Justice Scalia at the AJEI Summit in New Orleans*, APP. ISSUES, Feb. 2013, at 3, available at [http://www.americanbar.org/content/dam/aba/publications/appellate\\_issues/2013win\\_al.authcheckdam.pdf](http://www.americanbar.org/content/dam/aba/publications/appellate_issues/2013win_al.authcheckdam.pdf) (quoting Justice Scalia as saying, “I don’t know squat about patents.”).

<sup>496</sup> Transcript of Oral Argument at 48, *Gunn v. Minton*, 133 S. Ct. 1059 (2013) (No. 11-1118). In addition to these admissions, Justice Scalia recently decided not to join a majority opinion in a patent case dealing with particularly complex science given that he was unable to affirm fine details of molecular biology “on [his] own knowledge or even [his] own belief.” *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2120 (2013) (Scalia, J., concurring in part and concurring in the judgment).

<sup>497</sup> Golden, *supra* note 11, at 687–89.

Court and Federal Circuit I have identified here:

[T]he combination of a generalist Supreme Court and a specialized appellate court can function—or, at least, can function effectively—only if the generalist court’s acceptance of its limited competence is matched by the specialized court’s acceptance of its limited authority. In other words, the combination can work if each institution practices the virtue of humility.<sup>498</sup>

A decade after these prescient words, it remains unclear whether the two courts have the self-discipline to practice the virtue of humility in the context of advancing both certainty and flexibility in patent law. For the sake of the future of the patent system and its need for the right balance of certainty and flexibility, let’s hope humility prevails.

## VI. CONCLUSION

The Federal Circuit and the Supreme Court have a unique relationship, that of a semi-specialized intermediate appellate court and a generalized appellate court of last resort. Given this unique relationship, each court has a unique and robust role. Contrary to most prior scholarship, this Article advances the position that, given normative justifications for seeking certainty in patent law, the Federal Circuit serves its role in the current institutional design when, as a semi-specialized intermediate appellate court, it considers the appropriateness of rule-based adjudication in patent cases. In short, the Federal Circuit’s consideration of rule-based adjudication is not, in and of itself, a problem. Indeed, it is the expected and preferred approach of a semi-specialized intermediate appellate court.

This Article also advances the position, however, that it is the Supreme Court’s fundamental responsibility to police the Federal Circuit’s preference for rule-based adjudication. This policing function, while complex, should include two changes to the Supreme Court’s current jurisprudential approach to patent cases decided by the Federal Circuit. First, the Supreme Court should expand its traditional bases for granting certiorari to include the purpose of policing the Federal Circuit’s preference for rule-based adjudication. Second, the Supreme Court should be careful to avoid going too far in enforcing standard-based adjudication that contradicts well-grounded policy justified by the Federal Circuit based on its experience and expertise analyzing issues arising in patent cases. In this regard, the Supreme Court would do well not to forget the statement it made nearly one hundred years ago in an intellectual property case: “Uniformity and certainty in rules of property are often more important

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<sup>498</sup> Duffy, *supra* note 235, at 342.

and desirable than technical correctness.<sup>499</sup>

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<sup>499</sup> *Rock Spring Distilling Co. v. W.A. Gaines & Co.*, 246 U.S. 312, 320 (1918) (quoting *Layton Pure Food Co. v. Church & Dwight Co.*, 182 F. 35, 39 (8th Cir. 1910)) (internal quotation marks omitted).