The New York Intellectual Property Law Association

is Honored to Host the

United States Court of Appeals for the Federal Circuit Sitting in New York City

Recollections of a Quarter Century

1982 - 2007

Commemorative Journal

October 3, 2007

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As President of the NYIPLA, it is my great pleasure to welcome the United States Court of Appeals for the Federal Circuit to New York City.

This is a milestone year for the U.S. Court of Appeals for the Federal Circuit as we celebrate the 25th Anniversary of the Court. On April 2, 1982, President Ronald Reagan signed into law the Federal Circuit Improvement Act that created the United States Court of Appeals for the Federal Circuit. The historic inauguration took place on October 1, 1982.

In the eighty-five year history of the NYIPLA, the Association enjoyed the membership of two colleagues who were appointed to the Court of Appeals for the Federal Circuit. Hon. Giles S. Rich served as NYIPLA President from 1950-1951. Hon. Pauline Newman served on the NYIPLA Board of Directors from 1968-1972.

The NYIPLA is honored to host the United States Court of Appeals for the Federal Circuit during the Court's stay in New York. This evening will be marked as an historic event for the Association.

By Christopher A. Hughes,
NYIPLA President

Message from Chief Judge Paul R. Michel, United States Court of Appeals for the Federal Circuit

On behalf of the judges and staff of the Court of Appeals for the Federal Circuit, I want you to know how pleased we are to be conducting oral arguments this week in New York City. It has been over a decade since our last visit. As you know, the Court routinely sits, usually once each year, in a major city outside of Washington, DC. In scheduling these sessions, we try to "ride circuit," sitting in all regions and in other major cities before returning somewhere to sit once again as we do this October here in New York.

We are grateful to the New York Intellectual Property Law Association for organizing this grand dinner and also for coordinating other events during our stay. Particular thanks go to Jeffrey Butler, Mark Abate, and their colleagues on the Host Committee. Among other events they helped arrange are panels at the law schools of Columbia University, Fordham University, and New York University. In addition, a panel is sitting at the Court of International Trade and two panels at the Moynihan Courthouse of the Court of Appeals for the Second Circuit and the District Court for the Southern District of New York. Finally, they organized a Continuing Legal Education Program at the Association of the Bar of the City of New York at lunchtime on Thursday, October 4, our final day in New York City.

The Federal Circuit heard its first arguments 25 years ago this month. Although the statute creating the Court was enacted on April 2, 1982,

its effective date was October 1. We marked the earlier date with a 25th Anniversary Special Session in Washington on April 2, 2007, and we now celebrate the later date with you tonight.

In 1982, the Court's most experienced member was your former president, the Honorable Giles Sutherland Rich. Even before joining the Court, Judge Rich made an historic contribution to modern patent law as one of the principal drafters of the Patent Act, approved by the Congress in 1952. Over half a century later, the Congress is reconsidering the Patent Act. Quite appropriately, it has heard from many witnesses in various industries. It is unfortunate in my view, however, that unlike the Congress in 1952, the present Congress has not sought out the advice of leading patent lawyers such as Judge Rich and the Honorable Pauline Newman, who served on your Board of Directors from 1968 to 1972. Nor has the Congress chosen to hear from district judges who actually try patent cases, such as those here this evening. I hope that leaders of the Bar will make their views known before Congress concludes its work on the pending bills, possibly this fall.

Meanwhile, we appreciate the fine hospitality of the NYIPLA, the law schools, and the Association of the Bar of the City of New York. We particularly want to the thank NYIPLA president Christopher Hughes, as well as all those association members who have worked so hard to make this visit so successful. We are privileged to be in partnership with your Association and to share this evening with all of you in attendance.

By Paul R. Michel,
Chief Judge

History of the United States Court of Appeals for the Federal Circuit

Pursuant to the Federal Courts Improvement Act of 1982, which President Reagan signed into law in a Rose Garden ceremony at the White House on April 2, 1982, the new United States Court of Appeals for the Federal Circuit was created. The Federal Circuit was formed from the merger of two prior Article III courts, the United States Court of Claims, and the United States Court of Customs and Patent Appeals.

Left to Right Front: Judge Shiro Kashiwa, Judge Oscar H. Davis, Judge Daniel M. Friedman, Chief Judge Howard T. Markey, Judge Giles S. Rich, Judge Phillip B. Baldwin, Judge Marion T. Bennett
Left to Right Back: Senior Judge Byron G. Skelton, Judge Helen W. Nies, Judge Jack R. Miller, Judge Edward S. Smith, Senior Judge Wilson Cowen, Judge Philip Nichols, Jr.

Left to Right Front: Senior Judge S. Jay Plager, Senior Judge Glenn L. Archer, Jr., Senior Judge Daniel M. Friedman, Chief Judge Paul R. Michel, Judge Pauline Newman, Judge Haldane Robert Mayer, Judge Alan D. Lourie
Left to Right Back: Judge Sharon Prost, Judge Richard Linn, Judge William C. Bryson, Judge Randall R. Rader, Senior Judge Raymond C. Clevenger, III, Judge Alvin A. Schall, Judge Arthur J. Gajarsa, Judge Timothy B. Dyk, Judge Kimberly A. Moore

The judges of the United States Court of Appeals for the Federal Circuit assumed their responsibilities in a historic Inaugural Session on October 1, 1982, after being administered the Judicial Oath of Office by the Chief Justice of the United States.

NYIPLA 2007-2008

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Welcome letter from the NYIPLA Federal Circuit Host Committee

On behalf of the NYIPLA Federal Circuit Host Committee, of which I am the Chairperson, I would like to extend the Committee's welcome to the United States Court of Appeals for the Federal Circuit as it sits in New York City, October, 2007.

From the very moment that it became evident that the Court would be sitting in New York City this week, our Committee (and indeed the entire NYIPLA organization) has been cognizant of the importance to our practice and our profession of this visit by the Court, especially during the very week that marks the Court's 25th Anniversary.

In preparing for this historic visit by the Court, we have had the privilege of working not only with the Court itself, but also with various New York City law schools and other local institutions and organizations. The enthusiasm and fervor with which the regional IP bar and IP professors, deans and students embraced this opportunity to interact with this Court is, I believe, a recognition by both the bar and the academic world of this Court's prominence, and a tribute to this Court's profound impact on the IP world, which extends well beyond the borders of this city, and of this nation.

We are honored to be a part of the Court's week in New York City.

By Jeffrey M. Butler, for the
NYIPLA Federal Circuit Host Committee Chairperson

As NYIPLA historian, I am pleased to participate in this event marking the twenty-fifth anniversary of the creation of the Federal Circuit. Prior to its coming into being in 1982, many of us had high hopes for the certainty and predictability that the new court would help bring to patent law, as depicted in the attached National Law Journal article from 1979. It seems to me that the Federal Circuit has lived up to the great expectations set out for it.

The NYIPLA is most proud to count Judge Giles Rich among the ranks of its past presidents, and Judge Pauline Newman among the ranks of its past board members. We can hope that our Association's membership will serve as a source for patent-experienced judicial candidates in the future.

Seated here this evening, we can hear an echo from when the NYIPLA's first president, William Houston Kenyon, launched the first NYIPLA Annual Dinner in honor of the federal judiciary at the Waldorf=Astoria on December 6, 1922. Among the judges in attendance were Augustus and Learned Hand. With 258 members and guests at that dinner, we might imagine that it had the same "intimate" feel that we hope you are experiencing this evening. Enjoy!

By Dale L. Carlson,
NYIPLA Historian

Greater Predictability and Expertise Are Principal Benefits

New Patent Court: It's a Good Idea

By Dale L. Carlson
Special to The National Law Journal

ALTHOUGH perhaps too long in coming, this country moved one step closer to a national court of appeals for patent cases on Oct. 30 when the Senate passed S.1477.[1] If passed by the House, the legislation will have an earthshaking effect on the patent system, an impact unequalled since the passage of the Patent Act of 1952.

Title III of the Senate bill, sponsored by Sen. Edward M. Kennedy, D-Mass., provides for the creation of an Article III patent appellate court by the merger of the Court of Customs and Patent Appeals (CCPA) with the Court of Claims. The new court, to be known as the Court of Appeals for the Federal Circuit, would have a structure analogous to the 11 existing circuit courts.

Unlike the present circuit courts, the new court would have nationwide appellate jurisdiction in specified areas of law, including patent appeals. It would be composed of 12 circuit judges, filled at the outset by using the combined forces of the CCPA and the Court of Claims judges. The CCPA and the Claims court would be abolished.

Although the new court's homebase is designed to be

Washington, D.C., it is empowered to sit in three judge panels and is expected to consider cases in designated places across the country. Two highly probably consequences of the proposed act are (a) increased predictability and uniformity of decisions and (b) greater judicial expertise in patent law.

THE NEED for a national court of patent appeals has long been recognized. By way of illustration, the Hruska Commission [2] noted that divergent decisions on similar facts are commonplace in patent litigation. Under the existing system, one circuit court will often come to a decision, for example, on a patent validity question that will be exactly the opposite of that of a sister court.

Obviously, stare decisis does not operate between sister circuits. Moreover, the Supreme Court rarely grants certiorari and hears a patent case an average of only once every two years. Thus, the patent system has been characterized to date by confusion and lack of guidance at the highest judicial level.

Professor Kayton has made a statistically well-documented analysis of circuit court decisions on patent validity. He concluded that two wholly distinct sets of laws on the issue of Sec. 103 [3] patent validity have developed, one as applied by the 5th and 7th Circuits and the other as applied by the remaining circuits. [4]

Today, circuit court decisions regarding the presence or absence of a requirement of "synergism" for the validity of combination patents exhibit the

same kind of schizophrenia. Often the most important factor in determining success or failure in patent validity litigation is whether or not one wins or loses in choice of forum.

Any reform that will eliminate forum shopping in patent law must be applauded. Opponents of the Kennedy bill raise the bogus argument that forum shopping is endemic to patent litigation at the district, not appellate, court level. Since the Kennedy bill does not alter district court jurisdiction, they contend that it will not solve the problem. This argument is noteworthy for its shortsightedness since, immediately upon enactment of the proposed law, all of the district courts in the nation will be guided by, and subject to, the precedents set by the new court. Hence, the current advantage associated with a particular district court forum because it is in a "friendly" patent circuit will disappear.

Opponents of the Kennedy bill argue that those who favor it are assuming that the new court will take a "pro-patent" stance. This argument is a scare tactic and is irrelevant to the proposed act since the act does not relate to the substantive patent law. Rather, the proposed act represents an important and badly needed procedural reform.

Within the framework of the existing substantive law, the new court can be expected to provide a modicum of uniformity and predictability. If the substantive patent law is found to be lacking – a speculative possibility – it can always be modified legislatively. Obviously the wisdom of the new court's decisions will be largely a function of judicial expertise. A specialized patent court should allow for the development of such expertise.

The history behind the proposal for a single patent appeals court goes back nearly nine decades. In 1891, Congress established the U.S. Circuit Courts of Appeal. [5] At that time, the circuit courts replaced direct appeals from the district courts to the Supreme Court. Since 1891, the congressional outcry for a single court of pa tent appeals has been heard repeatedly. [6] An early proposal of this kind was defeated when the American Bar Association withdrew support for it due to the onset of World War I. [7]

Today, the single patent appeals court proposal has wide support. The ABA's Section of Patent, Trademark and Copyright Law, at the ABA's 1979 annual meeting, adopted a resolution favoring "in principle" legislation that would confer exclusive patent appellate jurisdiction on a single court. [8] The Justice Department's Office for Improvements in Administration of Justice [9] and President Carter [10] have recently proposed legislation similar to the Kennedy bill.

Aside from judicial uniformity, the new court would be instrumental in developing experienced patent judges. Back in 1951, Judge Simon Rifknd put fear in the hearts of the bar regarding any "specialized court" for patent litigation when he stated that segregated law, "secluded from the rest, develops a jargon of its own, thought-patterns that are unique, internal policies which it subserves and which are different from and sometimes at odds with the policies pursued by the general law." [11]

To the contrary, there is reason to be optimistic that the new court will avoid these alleged pitfalls of specialization and insularity while providing substantial patent experience for its judges. The new court is designed to hear not only patent cases but also government claims cases and all other appellate matters that are currently considered by the CCPA or the Court of Claims. These cases involve a whole spectrum of legal issues.

In addition, the new court would in no way interfere with the interaction between general legal concepts and patent law principles that currently occurs at the trial level. District court jurisdiction for patent matters is unaffected by the Kennedy bill. If the proposed act is adopted, novel legal theories will continue to be introduced in patent trials. General law concepts of contracts, torts and other areas of law, to the extent that they relate to, are analogous to, or encompass the law of patents, will continue to have their rightful role. At

the same time, appellate judges would have an opportunity to become experienced in hearing patent appeals – more so than present circuit judges who only occasionally hear such cases.

CCPA Judge Jack R. Miller aptly pointed out the necessity of not being side-tracked by the generalist/specialist or insular/mainstream dichotomies when he observed that "consumers of justice are today far more interested in prompt, efficient and uniform service than in being caught in the middle of a dispute between generalists and specialists. They are demanding the services of lawyers who specialize in certain fields of law, and they are increasingly vocal in their criticism of a system which fosters lack of uniformity in application of the law and promotes forum shopping.

"It isn't good for the image of the federal judiciary for word to get around that a certain circuit is a 'taxpayer's circuit,' or that a certain circuit is 'friendly' to patents while another is 'unfriendly,'" the judge stated.[12] The new circuit court would eliminate the basis for this criticism.

Perhaps the strongest advocate of patent-experienced court such as the proposed Court of Appeals for the Federal Circuit was Learned Hand. In Parke-Davis v. Mulford, [13] Judge Hand decried the "inordinate expense of time" that is required when patent-inexperienced courts are used. He expressed his concern and dismay over the present system of patent litigation with the rhetorical comment: "How long we shall continue . . . without the aid of unpartisan and authoritative scientific assistance in the administration of justice no one knows; but all fair persons not conventionalized by provincial legal habits of mind ought, I should think, unite to effect some such advance."[14]

The opportunity for "some such advance," as represented by the Kennedy bill, is now at hand. Lest this opportunity be lost, support of the bill to effectuate early passage by the House is in order.

(Endnotes)

[1] S.1477, 96th Cong., 1st Sess. This bill passed in the Senate on Oct. 15, 1979, and was referred to the House Committee of the Judiciary on Nov. 2, 1979. When enacted into law, it will be cited as the "Federal Courts Improvements Act of 1979."

[2] See Commission on the Revision of the Federal Court Appellate System, Structure and Internal Procedures: Recommendations for Change, reprinted in 67 F.R.D. 195 (1975). See also Federal Judicial Center, Report of the Study Group on the Caseload of the Supreme Court (the Freund Committee) (1972).

[3] 35 U.S.C. 103 (1970).

[4] I. Kayton, The Crisis of Law in Patents, in Patent Property: Cases and Readings, 214 (5th ed. 1975). Professor Kayton discusses mainly differences in circuit court standards regarding the Sec. 103 "nonobviousness" defense. However, different standards in the various circuits can also be found in the area of "best mode" and "late claiming." See Carlson, The Best Mode Disclosure Requirement in Patent Practice, 60 J. Pat. Off. Soc'y. 171, 192-4 (1978); G. Rose, The Muncie Gear Doctrine, in 1979 Patent Law Handbook at 105-8 (Clark Boardman).

[5] Act of Mar. 3, 1891, ch. 517, Sec. 2, 26 Stat. 827.

[6] For a history of the early congressional bills to establish a single court of patent appeals, see Single Court of Patent Appeals – A Legislative History, 21, (Comm. Print 1959)(report of Patent Committee of National Research Council, 1919).

[7] In 1918, the ABA abandoned support of the proposal. See Report of the Committee of Patent, Trademark and Copyright Law, 4 ABAJ 471, 479 (1918). In the following year, the ABA opposed such a proposal. See Report of the Committee of Patent, Trademark and Copyright Law, 5 ABAJ 440, 441-46 (1919).

[8] See 444 pat., T.M. & Copyright J. (BNA Sept. 6, 1979).

[9] See Meador, Proposal for Improvements in the Federal Appellate Courts, (June 21, 1978). The report, issued by Professor Meador in his capacity as Assistant Attorney General in charge of the Office for Improvements in the Administration of Justice, U.S. Justice Department, is similar to that embodied in the present Kennedy bill. See also "U.S. Appeals Plan: Success at Last?," N.L.J., Sept. 25, 1978, at 1; "Appeals Court Needed," N.L.J., Dec. 18, 1978.

[10] S.677 transmitted by President Carter to Congress on Feb. 27, 1979. This bill, entitled the Judicial Improvement Act of 1979, and 678, entitled the Federal Courts Improvement Act of 1979, were substantially identical and provided the basis for the evolution of the Kennedy bill.

[11] Rifkind, A Special Court for Patent Litigation? The Danger of a Specialized Judiciary, 37 ABAJ 425-6 (1951).

[12] Miller, Future of the CCPA, 60 J. Pat. Off. Soc'y. 676,682 (1978).

[13] 189 Fed. 95 (S.D.N.Y. 1911).

[14] Id. At 115.

The Court of Appeals for the Federal Circuit – Challenge and Opportunity

By Chief Judge Howard T. Markey

Creation of the Court of Appeals for the Federal Circuit presents both challenge and opportunity.

What, precisely, is the institution we call a court? Physically, it is a group of people, supplied with the tools of their trade, normally a building, books, and equipment. Morally, it is a group of people charged with a mission. That mission is to contribute as best it possibly can to the administration of justice in resolving the cases and controversies brought to it for resolution. There is challenge and opportunity aplenty in that mission assigned to all courts. Because of it uniqueness, and the pioneer outlook of its creators, the advent of the United States Court of Appeals for the Federal Circuit presents an especially exciting challenge and a particularly outstanding opportunity to make lasting contributions to the administration of justice.

The first challenge lies in the need to remember always that this is not "the Markey Court." The Chief Judge is but the servant of the servants of the law. Nor is it "the Judge's Court," or "the Government's Court." Nor is it properly described by naming one area of its jurisdiction. It is not "the Patent Court," or "the Government Claims Court," or the International Trade Court," or "the Merit Systems Court." The Court belongs to the people – owned and paid for by them. It exists to serve the people, litigants and non-litigants, all of whom have a right to know what the law is.

The next challenge is to the judges and staff – that they do their jobs well – nay, very well indeed. The importance of the justice job to our society cannot be overstated. The size of that job, midst the exponential growth of appellate litigation, is monumental. The most import element in meeting this challenge is people, and in this the new court is truly blessed. It has the finest staff and the most distinguished judges one could ask for. Its clerk is a lawyer, an alumnus of the Supreme Court staff, a past president of the Clerk's Association, and has a background of 15 years as clerk of a nationwide appellate court. Each of the 25 members of the court staff is in fact a person of substantial experience in the federal court system. Its judges bring to the court a combined total of some 250 years of distinguished judicial service.

In meeting the challenge of its mission, the court has recognized that its duty is first to decide the issues presented, and second, though of no less importance, to explain its decisions. The judges have adopted a series of standard operating procedures, one of which requires that there be an opinion in every case. Not all opinions will be published, but there will always be an opinion explaining to the loser why he or she lost. In respect of its mission, the Court's definition seems clear, "the best decisions, in the shortest possible time, at the least possible cost."

The new court's uniqueness presents a particular challenge. Because it is in numerous ways unique, and because it results from a bit of congressional pioneering in court structuring, the court will be, and should be, watched. The bar, the law schools, other courts, the executive branch, and the Congress will and should evaluate the performance of the Court in light of the considerations which impelled its creation. Like war and generals, courts are too important to leave entirely to judges. Hence, as it confronts the challenge, the Court welcomes watchers.

Though all courts are occasionally called upon to deal with governmental acts, a very large part of the new court's work, perhaps 80%, will find the government on one side or the other. Carved in marble in the lobby of its home, the National Courts Build-

ing, are Mr. Lincoln's words: "It is as much the duty of the government to render prompt justice against itself, in favor of citizens, as it is to administer the same between private individuals." That doesn't mean the Court will always decide against the government. Indeed, it is as much a service to societal stability that to say what the government may properly do as it is to say what it may not do. Mr. Lincoln's words, however, will always set a special tone of responsibility for much of the Court's work.

There are numerous similarities between the Court of Appeals for the Federal Circuit and the regional circuit courts. All follow the same constitution and the same supreme court. All face many of the same procedural and substantive due process issues. The "CAFC," as the new court is now called, adopted the federal rules of appellate procedure, making only the minor modifications mandated by its mission.

The Federal Circuit does differ organizationally, having no lower court administration to oversee, no circuit council, and no circuit executive. Its primary difference, however, the basis for its uniqueness and the great opportunity that represents, lies in the field of jurisdiction. Geographically, it is nationwide. Substantively, it is exclusive in the fields of international trade, claims for damages against the government, patents, government contracts, and merit systems protection.

Exclusivity means not only the opportunity to achieve and maintain uniformity and clarity in the law, it also means an increased challenge, for the Court is on its own. In the substantive fields of law, at least, there will be no other circuit court of appeals to whom it might look for other views as the years go by. Exercising the high level of care thus imposed, and employing with vigor the mechanisms it has designed to avoid conflict among its own decisions, the Court bids well to achieve the plus factors envisaged at its creation, namely a greater uniformity and clarity in those fields of law. That is the Court's greatest challenge and its greatest opportunity.

The conflict-avoiding, or "fail-safe" mechanisms adopted by the Court are arranged in depth. First, its senior technical assistant and his deputy are charged, as one of their primary functions, with checking each opinion ready to be issued against their index of earlier decisions by the Court or by its predecessor courts. If they detect what appears to be even a possibility of conflict, it is brought immediately to the attention of the panel. Second, each opinion approved by a panel and ready for publication is circulated to all judges of the Court. Those not on the panel do not, of course, participate in any way in the decision-making process, but non-panel members have seven days in which to offer comments on the opinion. If a judge detects what he or she thinks may be a conflict with an earlier decision, the matter is called promptly to the panel's attention. Third, in the time-created emergency any judge can issue a hold sheet, printed on red paper, thereby precluding issuance of an opinion before the concern of that judge can be resolved. Fourth, the court has adopted a procedure under which an earlier decision of one of its panels, or of one of its predecessors, can be overruled only by action of the court *in banc*. Though nothing conducted by humans can be always perfect, this defense-in-depth should forestall what would be a most unfortunate event, namely an unnoticed conflict in the Court's own jurisprudence.

The new Court of Appeals has the largest universe from which appeals may come. The work of over 666 decision makers is appealable to the CAFC. The judgments and decisions of all district courts in patent and "Little Tucker Act" cases, of the Court of International Trade, of the Claims Court, of the Merit Systems Protection Board, of the Patent and Trademark Office, of all boards of contract appeals, of the International Trade Commission, and of the Secretaries of Commerce and Agriculture are appealable to the CAFC.

In meeting their opportunities, the Court's judges are fully aware that pioneers are required to step wisely and carefully. They consider it imperative to think anew, that they disabuse themselves of many past ways of doing things, that they disdain the comforting cliché, "we always did it that way" as a sole reason for doing anything.

How is the Court doing? There is already reason to be proud of the judges and staff of the new court. Both have been willing to adopt what in many ways is virtually a new way of life. Certainly the judges can and do disagree on occasion. If they didn't, all but one would be unnecessary. Every one of the 11 judges now on board, however, has long demonstrated not only a willingness but an innate ability to disagree without being disagreeable.

In these early days of its "shake down cruise" the Court is not doing to badly. It heard in its first week all of the 60 cases that were ready for hearing. Thus far it has heard every case within 30 days of its coming ready. The average interval from filing to decision in the cases filed since the Court was born has been 5.7 months. The average interval from submission to decision in those cases has been one month.

The rumor that the Court wants to decide every appeal before it is filed is not true. On the other hand, the judges see no necessary conflict between efficiency and justice. On the contrary, they know that inefficiency can lead to the unjustice of excessive delay, and that it is written nowhere that due process must be sloppy process.

As of December 3rd, 1982, its 46th working day, the Court had issued 59 opinions. It issued 118 opinions in its first 92 working days, and well over 300 opinions in its first 180 working days. Exercising one of its unique features, it has already sat in a number of 5-judge panels and will sit in others in the future. It sat *in banc* in its first case and used that opportunity to announce adoption of the opinions of its predecessor courts as precedent in the new court. It has already sat *in banc sua sponte* and will again when circumstances warrant that unusual action.

What does the Court expect of its bar? All members of the bars of the predecessor courts were automatically admitted to the bar of the Court of Appeals for the Federal Circuit. Thus far 5,000 have entered their names on the roster, and 4,000 have ordered new certificates. The Court expects from its bar, beyond the avoidance of labeling the Court and a normal expectation of professional competence and candor, a decent and constant respect for the law and the judicial process. The judges would not be true to their judicial oaths if they expected or permitted less. But they expect a little more. As officers of the Court, and as much devoted to its administration of justice as any of the judges, the members of its bar should talk to the Court.

Thus the circle is closed and we end where we began. Because the CAFC is not the Markey Court or the Judge's Court or the Government's Court – because it is a court belonging to the people the bar represents or might in future represent, lawyers should give us their comments, suggestions, and criticisms. The judges are working, and will continue to work, very, very hard to make the Court of Appeals for the Federal Circuit the finest court in the land. Members of its bar should help them to do that, if for no other reason, because those members help pay for it!

If that kind of communication is created and maintained – judges and lawyers alike – all of us who share the privileged joy of working at the heartbeat of a free society – the law – can be said to have welcomed the challenge and grasped the opportunity present in the creation of this new court. If the Court's judges, it staff, and its bar remain dedicated to the blindfolded lady of justice, they, all and each of them, can make a true and lasting contribution to our society's most precious asset – the administration of justice. If they do that, then when their work is done and their time has run, the American people – without knowing them or quite why the feeling is there – will be glad they lived.

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edition of the
NYIPLA Greenbook

FOREWORD

The Federal Circuit in Perspective

*Judge Pauline Newman**

** Circuit Judge, United States Court of Appeals for the Federal Circuit.*

The Federal Circuit Court of Appeals is a court of commerce, industry, and governmental obligation, flowing from its many and varied areas of jurisdiction. The court's concerns are with the nation's business and trade, for both government and the private sector, and with the nation's human obligations: to federal employees, to vaccine-injured children, to veterans, to Native Americans. This Annual Review is an ideal occasion to take stock of our jurisprudence, to trace the evolution of these areas of law through judicial decision, and to review the legal reasoning by which judges decide each case. It is a foundation of the rule of law that judges are required to explain themselves—thereby providing fresh material for these scholarly reviews.

Twenty-three years ago the United States embarked on a juridical experiment, the only major change in federal court structure in a hundred years. This new structure, the formation of a circuit court of national jurisdiction in assigned areas of law, was not directed at changing the law; it was focused and targeted, and the target was the nation's economic future. The purpose was to reinvigorate the nation's industrial strength and technologic leadership, with the assistance of a revived and effective patent system.

It was recognized then, as now, that our economic strength as a nation depends on technologic leadership, the balance of trade, and a culture that favors creativity, entrepreneurship, and industrial activity. These aspects can be fostered or deterred by governmental policy. The provision of an optimum policy of innovation incentive in a system of private enterprise is a complex question of industrial economics and scientific advance, a question whose answer varies among industries, markets, subject matter, and nations.

Despite this complexity, history shows a direct relationship between the development of new technologies and the vigor of national economies. Consider the circumstances that led to the formation of the Federal Circuit. The late 1970s saw economic recession, high unemployment, mass layoffs of scientists and engineers, and extreme inflation. Seeking remedy, in 1978-79 a major study of technology-based industry was conducted by the Carter administration. This study, called a Domestic Policy Review, was directed to the factors believed to contribute to the weakness in industrial innovation, including such factors as the increase in governmental regulation of industry, changing environmental attitudes and laws, taxation policy, competition laws and enforcement, labor practices, and the patent system. The study reflected the concern of industry that the diminished commercial development of new technologies and innovative products was due to flawed legal/economic governmental policies. Only technologybased products were showing strength in the faltering economy and had retained a favorable balance of trade, yet industry was encountering national policies that reduced the incentive to generate new products.

I was a member of the subcommittee studying the patent system. It was believed that the diminished capability of patents to support investment in new or improved products contributed to the weak-

ness of the economy. The committee heard witnesses from large and small industry, individual inventors and entrepreneurs, who pointed out that investment in research and the development and marketing of new products are affected at every stage by factors that balance risk against potential return. The role of patents in shifting that balance was explored, as economists and lawyers discussed the relation between legal uncertainty and commercial activity.

The conclusion was straightforward: that patents had lost significant value as support for the creation and commercialization of new technologies, that no reasonable alternative existed or could be readily implemented, and that some form of economic incentive was needed in order to support investment in new technologies and improved productivity. The sources of this diminished value of patents were traced primarily to examination problems in the Patent and Trademark Office due to inadequate funding, and to the way some courts were interpreting and applying the patent law. It was concluded that improvements in these areas were feasible, and the Domestic Policy Review developed several wellsupported recommendations: it was proposed to provide increased funding to the Patent and Trademark Office through the imposition of maintenance fees, to institute a system of reexamination of issued patents, and to achieve national consistency in the application of patent law through a national court.[1]

The need for national consistency was apparent, for it was notorious that some of the regional circuits were so hostile to patents that the selection of the forum often decided the case. Thus the Domestic Policy Review proposed a major change in the system of adjudication of patent cases, whereby all patent appeals from the district courts would be consolidated in a single circuit court. It was believed that a national appellate court with experience in the complexities of technology would understand the policies underlying the patent law, eliminate forum differences, and contribute stability and thus incentive to patent-based commerce. It was believed that this change would have a significant salutary effect on industrial innovation.

However, this change was not without controversy, for it was a dramatic departure from judicial tradition. The proposed new court structure was vigorously opposed by the Litigation Section of the American Bar Association, who argued that a national appellate court would lose the benefit of divergent viewpoints among the regional circuits. The ABA stressed that inter-circuit differences provide the "percolation" that is a primary path to Supreme Court review. I can report that this feared loss of the Court's attention did not come to pass, perhaps because the Federal Circuit itself airs divergent viewpoints in important cases, thereby focusing the issues and flagging those that may warrant further judicial or legislative consideration.

A related argument against the proposed national court was based on the historical antipathy to "specialized" courts, for common law tradition favors a generalist approach to adjudication, at least in the appellate courts. The concern is that specialists are likely to have a narrow viewpoint, and tend to favor vested interests and lose sight of the larger national interest. Indeed, this concern directed the design of the Federal Circuit to have extremely diverse subject matter jurisdiction to reduce the risks of specialization. This design originated with Professor Daniel Meador, who suggested combining the jurisdictions of the United States Court of Claims and the United States Court of Customs and Patent Appeals and then adding additional areas where national uniformity was of importance.

Within the mix of jurisdictions initially assigned to the Federal Circuit, patent cases were about twelve percent of the total. Since then the proportion of patent cases has significantly increased, as the vigor of technologic innovation and the importance of patents has increased. This year patent appeals from the district courts are about twenty-five percent of our caseload, with another five percent the patent and trademark appeals from the tribunals of the Patent and Trademark Office, and another one percent from the International Trade Commission.

The majority of Federal Circuit cases are unrelated to intellectual property. The largest of these areas is our jurisdiction of all monetary claims against the United States based on the Constitution, statute, or contract. These cases reach us on appeal from the Court of Federal Claims, the district courts, and the agency boards of contract appeals, and include an extremely broad scope of issues; examples are Fifth Amendment compensation claims, tax refund cases, the savings-and-loan and other banking issues, Native American claims, various treaty disputes, and the great variety of issues flowing from the contract-based business of government. We also receive the appeals under the Childhood Vaccine Injury Act, appeals of importation and other trade issues from the Court of International Trade, and appeals from the Court of Appeals for Veterans Claims. We are also the appellate body for various agency tribunals dealing with federal employment matters such as adverse actions, whistleblowing, retirement, reductions-in-force, and the like. Several other areas round out our exclusive national jurisdiction, assuring that the court is not overly specialized.

This year's Annual Review concentrates on our jurisprudence in patent and trademark law and government contracts. I discuss primarily the patent issues, for this Review has well observed that this is a year of increased interest in patent law and policy. Over the two decades in which I have served the Federal Circuit, the nation's technology-based industries have become of dominant economic importance, with increasing interest in the patent law that supports and enables industrial innovation. Over these two decades I have watched the changes in the nature of the issues that are brought to the court. The major issues have been resolved, and much of today's litigation is in the fact-dependent grey areas, raising not new principles of law, but difficult judgments on close facts. The concerns that are today being debated go not to the hard core of the law, but to refinement of the law in concert with advances in science and with changing forms of technology-based industry.

In the early years of the Federal Circuit, the court methodically restored the patent law to the legal mainstream, in decisions applying across all areas of technology, rigorously implementing the patent statute and reviving established legal principles. Examples are the rulings that summary judgment is as available in patent cases as in any other; that preliminary injunctions in patent cases are decided on the same criteria as in other fields; that consent judgments and settlement agreements in patent cases are not contrary to public policy; that an assignor can be estopped from challenging the validity of the assigned patent, as others are estopped who transfer property for value; that infringement is a wrong, not a public service; that the measure of damages is to make the injured party whole, as for other torts; that patents are presumed valid; that proof of inequitable conduct in patent prosecution requires both materiality and deceptive intent. The court developed objective standards for determination of obviousness, applied the same law in the Patent Office as in the courts, eliminated forum shopping, and generally restored the effectiveness of the patent system as reliable support for industrial innovation. The impact was dramatic, and much publicity attended the "new strength" of patents.

More recent decisions have been geared toward refining the law and adding precision to the decision of questions that are some of the most complex in adjudication. To this end the court adjusted the roles of judge and jury in interpreting patents, placed the Patent and Trademark Office under the Administrative Procedure Act, and is evolving guidelines for the writing and interpretation of patents. The question of the role of dictionaries in analysis of patent scope is currently before the court *en banc*, and is explored in this volume. These issues are important, complex, and difficult, and raise policy concerns that are a proper focus of the political branches. Yet experience shows the power of judicial decisions to affect technologic advance and commercial vigor, particularly as new technologies have arisen. The classic example is the *Chakrabarty* decision of the Court of Customs and

Patent Appeals and the Supreme Court,[2] mired in controversy at the time, and now credited as the foundation of the biotechnology industry. Also controversial was the Federal Circuit's decision on patents for methods of doing business in *State Street Bank*,[3] a case still under debate. Today most of the issues before the court do not deal with dramatic new technologies, although rapidly evolving fields, such as software processes and genetic science, are the subject of ongoing discussion within the affected communities as to what the law should be, pointing up the difficulty of asking courts to adjudicate issues on which the interested communities have not reached consensus.

The overarching consideration in the development of patent jurisprudence should be the national interest, attuning the incentives to technologic advance and industrial growth to the social and economic policies of the nation. It is this national interest that is the ultimate beneficiary of legal stability. Despite the vast diversity of modern technology and the factual situations that can lead to dispute, the purposes served by the patent system should be the dominant consideration as the law evolves, whether judge made or through legislative action.

While the questions that today are litigated rarely raise major issues such as beset the patent system two decades ago, they reflect the never-ending need for adjustment. The cases that reach the court rarely are simple application of law to fact. Instead, today's appeals take us to the boundaries of the law, to the grey areas where competing policies abut and there are sound legal arguments on both sides. With close questions, diversity of judicial viewpoint is more frequent. Such diversity produces the "percolation" that scholars feared would be lost to the Federal Circuit, and indeed can lead to consensus strengthened by the deliberations in reaching it.

Policy ripening also is achieved by the Federal Circuit's procedure for changing its own precedent. The general judicial rule is that later appellate panels cannot overturn earlier panel holdings, and that precedent can be changed only by the court sitting *en banc*. This procedure was invoked this past year in the *Knorr-Bremse*[4] case, discussed in this volume. In *Knorr-Bremse*, the court reviewed its precedent in light of changed circumstances, and acted *en banc* to relieve the heavy burden previously placed on the attorney-client privilege.

In the perspective of the Federal Circuit's brief history, I marvel at the rapidity with which industrial and entrepreneurial activity responded to the restoration of basic stability to patent law. This history demonstrates that the appropriate application of patent law can indeed be a force for industrial and scientific advance—in research and disclosure of new science, and in investment in new technologies and new products. The formation and early decisions of the Federal Circuit produced a resurgence in commercial activity and in scientific and technologic creativity. Although changes in the law are today less dramatic, a well-wrought jurisprudence continues to evolve to meet new technologies, to answer new questions.

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(Footnotes)

[1] *See generally* INDUS. SUBCOMM. FOR PATENT & INFO. POLICY, ADVISORY COMM. ON INDUS. INNOVATION, REPORT ON PATENT POLICY 155 (1979).

[2] Diamond v. Chakrabarty, 447 U.S. 303 (1980).

[3] State St. Bank & Trust Co. v. Signature Fin. Group, 149 F.3d 1368, 47 U.S.P.Q.2d (BNA) 1596 (Fed. Cir. 1998).

[4] Knorr-Bremse Sys. v. Dana Corp., 383 F.3d 1337, 72 U.S.P.Q.2d (BNA) 1560 (Fed. Cir. 2004) (*en banc*).

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