

# The Federal Circuit and the Supreme Court (Circa 2009)

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## Introduction

The U.S. Court of Appeals for the Federal Circuit has entered a new phase in its approach to Supreme Court patent precedent. For most of its twenty-five year history, the Federal Circuit paid relatively little attention to Supreme Court patent decisions.<sup>1</sup> The Court of Appeals saw its role as developing patent rules with modest regard to whether the rules cohered with Supreme Court precedent.<sup>2</sup> No more. As illustrated by three recent en banc opinions, the Federal Circuit is now paying extraordinarily close attention to Supreme Court precedent.<sup>3</sup> Indeed, the Federal Circuit is in the process of revising critical aspects of its case law in light of existing Supreme Court patent precedent.<sup>4</sup>

This article describes and evaluates the new Federal Circuit approach to Supreme Court precedent. Part I covers the old approach. After its creation in 1982, the Federal Circuit announced various formulations of patent law without regard to Supreme Court precedent.<sup>5</sup> Until about 2002, the Supreme Court appeared to approve of much of the work of the Federal Circuit.<sup>6</sup> Subsequently, however, the Supreme Court became increasingly critical of the substantive rules developed by the Federal Circuit.<sup>7</sup> Nevertheless, as recently

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<sup>1</sup> See, e.g., *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), *abrogated by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc), *cert. granted*, 129 S. Ct. 2735 (2009); *Linton Sys., Inc. v. Whirlpool Corp.*, 728 F.2d 1423 (Fed. Cir. 1984); *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), *overruled by In re Seagate Tech., L.L.C.*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc), *cert. denied sub nom.*, *Convolve, Inc. v. Seagate Tech., L.L.C.*, 128 S. Ct. 1445 (2008).

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

<sup>3</sup> See *Bilski*, 545 F.3d 943; *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665 (Fed. Cir. 2008) (en banc), *cert. denied*, 129 S. Ct. 1917 (2009); *Seagate*, 497 F.3d 1360.

<sup>4</sup> See cases cited *supra* note 3.

<sup>5</sup> See cases cited *supra* note 1.

<sup>6</sup> See discussion *infra* Parts I.A–B.

<sup>7</sup> 535 U.S. 826 (2002).

as 2005, the Federal Circuit issued an important decision on claim construction, *Phillips v. AWH Corp.*,<sup>8</sup> without much regard to applicable Supreme Court precedent.<sup>9</sup>

Part II demonstrates that the Federal Circuit has recently paid close attention to Supreme Court precedent. The Federal Circuit has issued three recent en banc decisions, one on willful infringement, *In re Seagate Technologies, L.L.C.*,<sup>10</sup> one on business method patents, *In re Bilski*,<sup>11</sup> and one on design patents, *Egyptian Goddess, Inc. v. Swisa, Inc.*<sup>12</sup> In each case, the Federal Circuit paid detailed attention to Supreme Court precedent and in the process disavowed a long-standing Federal Circuit rule of law.<sup>13</sup> Part III is evaluative. The doctrinal changes introduced in *Bilski* and *Egyptian Goddess* arguably contain the same flaws that have led to the Supreme Court's current dissatisfaction with the Federal Circuit. The *Seagate* decision is probably closer to the type of the analysis the Supreme Court prefers.

## I. The Federal Circuit Applies Its “Special Expertise”

### A. 1982–2001

Founded in 1982, the Federal Circuit embarked on its task of unifying patent law without much regard to Supreme Court precedent.<sup>14</sup> As one author summarized, “since the creation of the Federal Circuit the Supreme Court has basically left the new court unimpeded in restating patent law doctrine.”<sup>15</sup> Indeed, that author argues that the very reason for establishing the Federal Circuit was to allow the Federal Circuit to fix patent law doctrines ruined by the Supreme Court: “The high court, despite the best of intentions, was the source of the doctrinal instability now prevalent in the courts of appeal.”<sup>16</sup>

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<sup>8</sup> 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

<sup>9</sup> See generally *id.*

<sup>10</sup> 497 F.3d 1360 (Fed. Cir. 2007) (en banc), *cert. denied sub nom.*, *Convolve, Inc. v. Seagate Tech., L.L.C.*, 128 S. Ct. 1445 (2008).

<sup>11</sup> 545 F.3d 943 (Fed. Cir. 2008) (en banc), *cert. granted*, 129 S. Ct. 2735 (2009). The writ of certiorari was granted as this article went to press.

<sup>12</sup> 543 F.3d 665 (Fed. Cir. 2008) (en banc), *cert. denied*, 129 S. Ct. 1917 (2009). After we submitted this essay, the Federal Circuit issued another en banc decision, *Abbott Laboratories v. Sandoz, Inc.*, 566 F.3d 1282 (Fed. Cir. 2009) (en banc). The decision was a surprise because the court did not request en banc briefing nor hold en banc argument. A postscript explains that this latest decision provides strong confirmation of the thesis set out here.

<sup>13</sup> See generally cases cited *supra* note 3.

<sup>14</sup> See, e.g., cases cited *supra* note 1.

<sup>15</sup> Paul M. Janicke, *To Be or Not to Be: The Long Gestation of the U.S. Court of Appeals for the Federal Circuit (1887–1982)*, 69 ANTITRUST L.J. 645, 647 (2001).

<sup>16</sup> *Id.* at 657–58.

Consider three examples from the 1980s. In *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*,<sup>17</sup> the Federal Circuit held that a mathematical algorithm was patentable because it resulted in a “useful, concrete and tangible result.”<sup>18</sup> In *Litton Systems, Inc. v. Whirlpool Corp.*,<sup>19</sup> the court held that for a design patent to be infringed “the accused device must appropriate the novelty in the patented device which distinguishes it from the prior art.”<sup>20</sup> And, in *Underwater Devices Inc. v. Morrison-Knudsen Co.*,<sup>21</sup> the court created an affirmative duty to seek legal advice before engaging in any possibly infringing activity.<sup>22</sup> None of these formulations are derived from the statutory text, and none are based on prior Supreme Court case law. In all three instances, the new tests became fundamental patent doctrine.<sup>23</sup>

Furthermore, during this same period, the Federal Circuit introduced various changes to the law of obviousness.<sup>24</sup> Despite frequent petitions for Supreme Court review, the Supreme Court declined to consider these changes.<sup>25</sup>

In fact, throughout this time, the Supreme Court largely approved of the Federal Circuit’s case-by-case approach.<sup>26</sup> The Supreme Court’s attitude towards the Federal Circuit was most clearly expressed in *Warner Jenkinson Co. v. Hilton Davis Chemical Co.*<sup>27</sup> At issue was the modern contours of the doctrine of equivalents.<sup>28</sup> Although the Supreme Court reversed the precise formulation of the test adopted by the Federal Circuit, the Supreme Court was mainly content to let the Federal Circuit refine the doctrine:

[W]e see no purpose in going further and micromanaging the Federal Circuit’s particular word choice for analyzing equivalence . . . We expect that the Federal Circuit will refine the formulation of the test for equivalence in the orderly course of case-by-case

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<sup>17</sup> 149 F.3d 1368 (Fed. Cir. 1998), *abrogated by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc), *cert. granted*, 129 S. Ct. 2735 (2009).

<sup>18</sup> *Id.* at 1373.

<sup>19</sup> 728 F.2d 1423 (Fed. Cir. 1984).

<sup>20</sup> *Id.* at 1444.

<sup>21</sup> 717 F.2d 1380 (Fed. Cir. 1983), *overruled by In re Seagate Tech., L.L.C.*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc), *cert. denied sub nom.*, *Convolve, Inc. v. Seagate Tech., L.L.C.*, 128 S. Ct. 1445 (2008).

<sup>22</sup> *Id.* at 1389–90.

<sup>23</sup> See Janicke, *supra* note 15, at 647 (“[S]ince the creation of the Federal Circuit the Supreme Court has basically left the new court unimpeded in restating patent law doctrine.”).

<sup>24</sup> *Id.* at 661–62.

<sup>25</sup> *Id.* at 662 n.100 (noting eight cert petitions on obviousness in the first five years of the Federal Circuit’s existence).

<sup>26</sup> *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 40 (1997).

<sup>27</sup> 520 U.S. 17 (1997).

<sup>28</sup> *Id.* at 21.

determinations, and we leave such refinement to that court's sound judgment in this area of its special expertise.<sup>29</sup>

## B. 2002–2005

From 2002 to 2005, the Federal Circuit continued to apply its “special expertise” but the Supreme Court started to express concerns.<sup>30</sup> The Supreme Court sought the views of the Solicitor General on a host of patent law questions.<sup>31</sup> In particular, from 2002 to 2004, the Court asked for views in no less than six different patent cases.<sup>32</sup> Although the Solicitor General recommended against further review, and the Court elected not to review the cases,<sup>33</sup> the sharp uptick in this type of request suggested an increased interest in patent law at the Court. Furthermore, in 2002, the Court decided *Holmes v. Vornado*. At issue was whether the Federal Circuit has appellate jurisdiction over a case in which the complaint does not allege a claim arising under federal patent law but the answer does.<sup>34</sup> In *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*,<sup>35</sup> the Federal Circuit had asserted jurisdiction over such cases.<sup>36</sup> The Supreme Court unanimously disagreed in a terse opinion that indirectly declared the *Aerojet* decision “an unprecedented feat of interpretative necromancy.”<sup>37</sup>

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<sup>29</sup> *Id.* at 40.

<sup>30</sup> *See, e.g.*, *SmithKline Beecham Corp. v. Apotex Corp.*, 546 U.S. 1088 (2006) (seeking views of the United States from the Solicitor General); *Honeywell Int'l Inc., v. Hamilton Sundstrand Corp.*, 543 U.S. 954 (2004) (same); *Fin Control Sys. Pty., Ltd. v. Surfco Haw.*, 534 U.S. 1126 (2002) (same); *Micrel, Inc. v. Linear Tech. Corp.*, 537 U.S. 946 (2002) (same); *Monsanto Co. v. Bayer CropScience, S.A.*, 537 U.S. 1027 (2002) (same).

<sup>31</sup> *SmithKline*, 546 U.S. at 1088 (novelty); *Honeywell*, 543 U.S. at 954 (doctrine of equivalents); *Fin Control*, 534 U.S. at 1126 (combination patents); *Jazz Photo Corp. v. Int'l Trade Comm'n*, 536 U.S. 950 (2002) (International Trade Commission proceedings); *Micrel*, 537 U.S. at 946 (on-sale bar); *Monsanto*, 537 U.S. at 1027 (bona fide purchaser licensee).

<sup>32</sup> *See, e.g.*, cases cited *supra* note 31.

<sup>33</sup> *Compare* *SmithKline Beecham Corp. v. Apotex Corp.*, 547 U.S. 1218 (2006), *with* Brief for United States as Amicus Curiae, *SmithKline*, 546 U.S. 1088 (2006) (No. 05-489); *compare* *Honeywell Int'l Inc. v. Hamilton Sundstrand Corp.*, 129 S. Ct. 328 (2008), *with* Brief for United States as Amicus Curiae, *Honeywell*, 543 U.S. 954 (2004) (No. 04-293); *compare* *Fin Control Sys. Pty., Ltd. v. Surfco Haw.*, 536 U.S. 939 (2002), *with* Brief for United States as Amicus Curiae Supporting Respondents, *Fin Control*, 534 U.S. 1126 (2002) (No. 01-863).

<sup>34</sup> *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 827 (2002). Under 28 U.S.C. §§ 1295(a)(1) and 1338(a), the Federal Circuit has jurisdiction over actions “arising” under patent law.

<sup>35</sup> 895 F.2d 736 (1990) (en banc).

<sup>36</sup> *Id.* at 745.

<sup>37</sup> *Holmes*, 535 U.S. at 833.

Despite this sustained Supreme Court scrutiny, the Federal Circuit did not appear to reorient its judicial approach. Consider, for example, *Phillips v. AWH Corp.*, an en banc decision from 2005. The Federal Circuit considered the methodology for construing the scope of a patent claim.<sup>38</sup> The Supreme Court has a host of precedents bearing on the question of how best to interpret texts.<sup>39</sup> More specifically, the Supreme Court has precedent bearing on how to interpret a patent claim.<sup>40</sup> In *United States v. Adams*,<sup>41</sup> the Court explained that “[w]hile the claims of a patent limit the invention, and specifications cannot be utilized to expand the patent monopoly, . . . , it is fundamental that claims are to be construed in the light of the specifications and both are to be read with a view to ascertaining the invention.”<sup>42</sup> The *Phillips* opinion does not cite *Adams*; rather, it discusses almost exclusively Federal Circuit precedent.<sup>43</sup> *Phillips* devotes only a few short sentences to what are essentially string cites to Supreme Court precedents.<sup>44</sup> The Federal Circuit has since abandoned such a casual approach to Supreme Court precedent, as the next section shows.

## II. The Federal Circuit Tries a New Approach: Paying Attention to the Supreme Court

In the last few years, the Federal Circuit appears to have decided that it must pay closer attention to Supreme Court precedent. That is an understandable response to recent decisions by the Supreme Court. After *Holmes*, the Supreme Court reversed three more high-profile Federal Circuit decisions.<sup>45</sup> In *MedImmune, Inc. v. Genentech, Inc.*,<sup>46</sup> the Supreme Court rejected the Federal Circuit’s “reasonable apprehension of suit” standard for bringing a declaratory judgment action.<sup>47</sup> In the Court’s view, the test was impossible to reconcile with no less than four Supreme Court holdings.<sup>48</sup> Indeed, one of the respondents took the unusual step of not even attempting to defend the

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<sup>38</sup> *Phillips v. AWH Corp.*, 415 F.3d 1303, 1320 (Fed. Cir. 2005) (en banc).

<sup>39</sup> See John M. Golden, *Construing Patent Claims According to Their “Interpretative Community”*: A Call for an Attorney-Plus-Artisan Perspective, 21 HARV. J.L. & TECH. 321, 351–62 (2008).

<sup>40</sup> *Id.* at 354–56.

<sup>41</sup> 383 U.S. 39 (1966).

<sup>42</sup> *Id.* at 48–49 (citations omitted).

<sup>43</sup> See *Phillips*, 415 F.3d 1303.

<sup>44</sup> See *id.* at 1312.

<sup>45</sup> See *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

<sup>46</sup> 549 U.S. 118 (2007).

<sup>47</sup> *Id.* at 132 n.11.

<sup>48</sup> See *id.*

test under which it had prevailed.<sup>49</sup> In *eBay Inc. v. MercExchange, L.L.C.*,<sup>50</sup> the Supreme Court unanimously rejected the Federal Circuit's "general rule," unique to patent disputes, "that a permanent injunction will issue once infringement and validity have been adjudged."<sup>51</sup> And in *KSR International Co. v. Teleflex Inc.*,<sup>52</sup> the Supreme Court addressed the meaning of "obviousness," a foundational question of patent law it had let the Federal Circuit rule on for more than twenty years.<sup>53</sup> The Supreme Court began by "rejecting the rigid approach of the Court of Appeals."<sup>54</sup> The Supreme Court found that the "teaching, suggestion, or motivation" test for obviousness, as used by the Federal Circuit, had "become [a] rigid and mandatory formula[]" and thus was "incompatible with [its] precedents."<sup>55</sup>

Three recent en banc decisions illustrate the profound effect the Supreme Court's renewed critical attention is having on the Federal Circuit.

### **A. *In re Bilski***

The issue in *In re Bilski* was whether a claim to a method of hedging risk in the field of commodities trading is patentable subject matter under 35 U.S.C. § 101.<sup>56</sup> Writing for nine members of the court, Chief Judge Michel announced a new "machine or transformation" test for a process claim.<sup>57</sup> The Federal Circuit stated that the "definitive test" for determining whether a process is eligible for patent protection is whether "(1) [the process] is tied to particular machine or apparatus, *or* (2) it transforms a particular article into a different state or thing."<sup>58</sup> Turning to the claim at issue, the majority concluded that the hedge fund claim fails: "Purported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions cannot meet the test because they are not physical objects or substances, and they are not representative of physical objects or substances."<sup>59</sup>

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<sup>49</sup> *See id.* at 134.

<sup>50</sup> 547 U.S. 388 (2006).

<sup>51</sup> *Id.* at 393–94 (*MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005), *rev'd*, 547 U.S. 388 (2006)).

<sup>52</sup> 550 U.S. 398 (2007).

<sup>53</sup> *See id.* at 407.

<sup>54</sup> *Id.* at 415.

<sup>55</sup> *Id.* at 419.

<sup>56</sup> *In re Bilski*, 545 F.3d 943, 949 (Fed. Cir. 2008), *cert. granted*, 129 S. Ct. 2735 (2009).

<sup>57</sup> *Id.* at 956.

<sup>58</sup> *Id.* at 954 (emphasis added).

<sup>59</sup> *Id.* at 963.

In stark contrast to the *Phillips* opinion, Judge Michel's *Bilski* opinion pays detailed attention to numerous Supreme Court precedents.<sup>60</sup> It begins with a three paragraph discussion of *Diamond v. Diehr*,<sup>61</sup> as well as detailed discussions of *Gottschalk v. Benson*,<sup>62</sup> and *Parker v. Flook*.<sup>63</sup> The opinion then goes on to "canvas" earlier Supreme Court cases, and then returns for still more discussion of *Diehr*, *Benson* and *Flook*.<sup>64</sup> Ultimately, the Federal Circuit refers to its new test for a patentable process as the "Supreme Court's test."<sup>65</sup> Not until page 18 does the *Bilski* court address Federal Circuit precedent.<sup>66</sup> Moreover, none of the Supreme Court cases cited involved business method patents.<sup>67</sup> Indeed, in his dissenting opinion, Judge Rader complained of a "vast judicial tome" relying on "dicta taken out of context from numerous Supreme Court opinions."<sup>68</sup>

*Bilski* also rejects a long-standing Federal Circuit rule.<sup>69</sup> In *Bilski*, the Federal Circuit revisited the "useful, concrete, and tangible" result test associated with *State Street*.<sup>70</sup> The Federal Circuit explained that the test "was certainly never intended to supplant the Supreme Court's test."<sup>71</sup> The court did not abandon the test entirely, declaring that the test "may in many instances provide useful indications of whether a claim" is patentable.<sup>72</sup> But "that inquiry is insufficient to determine whether a claim is patent-eligible under § 101."<sup>73</sup> "As a result," the court stated, "those portions of our opinion[] in *State Street* . . . should no longer be relied on."<sup>74</sup>

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<sup>60</sup> *Id.* at 952–58.

<sup>61</sup> 450 U.S. 175 (1981).

<sup>62</sup> 409 U.S. 63 (1972).

<sup>63</sup> 437 U.S. 584 (1978).

<sup>64</sup> *See Bilski*, 545 F.3d at 955.

<sup>65</sup> *Id.* at 959.

<sup>66</sup> *See id.* at 960.

<sup>67</sup> *Id.* at 1002 (Dyk, J., concurring).

<sup>68</sup> *Id.* at 1011 (Rader, J., dissenting).

<sup>69</sup> *Id.* at 960 n.19.

<sup>70</sup> *Id.* at 959.

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

<sup>72</sup> *Id.*

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

<sup>74</sup> *Id.* at 960 n.19; *see* Mark S. Davies & Eli J. Kay-Oliphant, *Breakdown on State Street: The Future of Business Method Patents*, INTELL. PROP. LITIG. COMMITTEE NEWSL. (ABA Section of Litig., Chicago, Ill.), Winter 2008, at 17–18.

## B. *Egyptian Goddess*

At issue in *Egyptian Goddess v. Swisa* was a design patent for a nail buffer with three abrasive sides.<sup>75</sup> The patentee claimed that another nail buffer, manufactured by Swisa, Inc. and including four abrasive sides, infringed on the '389 patent.<sup>76</sup> Judge William Bryson, writing for a unanimous en banc court, held that the "ordinary observer test should be the sole test for determining whether a design patent has been infringed."<sup>77</sup> Turning to the facts before it, the court thought it necessary to consider the "prior art" before deciding whether the Swisa buffer was substantially the same as the patented buffer.<sup>78</sup> The court noted that the "difference between the two is that that the accused buffer has raised buffing pads on all four sides, while the patented buffer has buffing pads on only three sides."<sup>79</sup> Because the prior art contained buffers with four sides, the court concluded that no reasonable fact finder could find that "an ordinary observer, taking into account the prior art, would believe the accused design to be the same as the patented design."<sup>80</sup>

The court in *Egyptian Goddess* goes even further than the court in *Bilski* in wrapping its decision in Supreme Court precedent. After giving the procedural background, the opinion begins: "The starting point for any discussion of the law of design patents is the Supreme Court's decision in *Gorham Co. v. White*."<sup>81</sup> The opinion includes a "close reading of *Whitman Saddle Co.*"<sup>82</sup> Summarizing its holding in the very last sentence of the opinion, the court in *Egyptian Goddess* returns to *Gorham*:

In the language used by the Supreme Court in *Gorham*, . . . we hold that the accused design could not reasonably be viewed as so similar to the claimed design that a purchaser

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<sup>75</sup> *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 668 (Fed. Cir. 2008) (en banc), cert. denied, 129 S. Ct. 1917 (2009); see Darin Snyder et al., *Designing Around the Supreme Court?*, LEGALTIMES (The National Law Journal, New York, N.Y.), Oct. 13, 2008, at 1–2.

<sup>76</sup> *Egyptian Goddess*, 543 F.3d at 668.

<sup>77</sup> *Id.* at 678 (internal quotations omitted).

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

<sup>79</sup> *Id.* at 680.

<sup>80</sup> *Id.* at 682.

<sup>81</sup> *Id.* at 670 (citation omitted). In 1871, in *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511 (1871), the Supreme Court first articulated a test to determine whether the design of an article infringed a design patent: "[I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other." *Id.* at 528. This became known as the "ordinary observer" test. See *id.*

<sup>82</sup> *Egyptian Goddess*, 543 F.3d at 672 (analyzing *Smith v. Whitman Saddle Co.*, 148 U.S. 674 (1893)).

familiar with the prior art would be deceived by the similarity between the claimed and accused designs, ‘inducing him to purchase one supposing it to be the other.’<sup>83</sup>

Just like *Bilski*, *Egyptian Goddess* expressly overturns long-settled Federal Circuit precedent.<sup>84</sup> Specifically, *Egyptian Goddess* abandons the “point of novelty test” associated with *Litton*.<sup>85</sup> The *Litton* test was impossible to reconcile with Supreme Court precedent. The court in *Litton* held:

For a design patent to be infringed . . . “the accused device must appropriate the novelty in the patented device which distinguishes it from the prior art.” That is, even though the court compares two items through the eyes of the ordinary observer, it must *nevertheless*, to find infringement, attribute their similarity to the novelty which distinguishes the patent device from the prior art.<sup>86</sup>

The *Litton* court, and future Federal Circuit decisions, made clear that a design patent would not be infringed, even if it met the Supreme Court’s “ordinary observer” test for infringement, unless it also met an additional “point of novelty” test devised by the Federal Circuit.<sup>87</sup> The en banc court declared that the point of novelty test “should no longer be used in the analysis of a claim of design patent infringement.”<sup>88</sup> Instead, the *Gorham* test is the “sole test for determining whether a design patent has been infringed.”<sup>89</sup>

### C. *In re Seagate*

At issue in *Seagate* was the scope of the waiver of attorney-client privilege and work product protection that results when an accused patent infringer asserts an advice of counsel defense to a charge of willful infringement.<sup>90</sup> Convolv accused Seagate of infringement and Seagate announced its intention to rely on three opinion letters in defending against willful infringement.<sup>91</sup> Convolv sought discovery of all communications between Seagate and any counsel concerning the opinions.<sup>92</sup> The court ruled, in an opinion by Judge Mayer, “as a general proposition, that asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the

<sup>83</sup> *Id.* at 683 (citation omitted).

<sup>84</sup> *See id.*

<sup>85</sup> *Id.*

<sup>86</sup> *Litton Sys., Inc. v. Whirlpool Corp.*, 728 F.2d 1423, 1444 (1984) (citations omitted) (emphasis added).

<sup>87</sup> *See, e.g., id.*

<sup>88</sup> *Egyptian Goddess*, 543 F.3d at 678.

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

<sup>90</sup> *In re Seagate Tech., L.L.C.*, 497 F.3d 1360, 1365 (2007) (en banc), *cert. denied sub nom.*, *Convolv, Inc. v. Seagate Tech., L.L.C.*, 128 S. Ct. 1445 (2008).

<sup>91</sup> *Id.* at 1366.

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

attorney-client privilege [or work product protection] for communications with trial counsel.”<sup>93</sup>

In so holding, the *Seagate* court overruled long standing Federal Circuit precedent and paid close attention to Supreme Court doctrines. The *Underwater Devices Inc. v. Morrison-Knudsen Co.*<sup>94</sup> decision created an affirmative duty to obtain legal advice before undertaking possibly infringing activity.<sup>95</sup> “In light of Supreme Court opinions since *Underwater Devices* and . . . practical concerns,” the Federal Circuit explained, it would “revisit” the willfulness doctrine.<sup>96</sup> The court noted that “[j]ust recently, the Supreme Court addressed the meaning of willfulness as a statutory condition of civil liability for punitive damages.”<sup>97</sup> The Federal Circuit discussed other Supreme Court cases on willfulness, and observed that “the duty of care announced in *Underwater Devices* sets a lower threshold for willful infringement that is more akin to negligence.”<sup>98</sup> The Federal Circuit noted that “[t]his standard fails to comport with the general understanding of willfulness in the civil context, and it allows for punitive damages in a manner inconsistent with Supreme Court precedent.”<sup>99</sup> Thus, *Seagate* expressly overruled *Underwater Devices*. Instead, the Federal Circuit quoted *Safeco* and announced that “a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”<sup>100</sup>

### III. Flaws in the New Approach

Despite all the discussion of Supreme Court cases and despite the express abandonment of mandatory tests, *Bilski* and *Egyptian Goddess* may not embody methodological approaches likely to win approval at the Supreme Court (the Court’s approach to *Bilski*, particularly, will soon be known). *Seagate* is probably closer to what the Supreme Court would like to see.

For instance, *Bilski* takes the surprising step of introducing a new strict test for patentable subject matter. Thus, while the court dispatches the “useful, concrete and tangible result” test, the court immediately replaces it with

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<sup>93</sup> *Id.* at 1374.

<sup>94</sup> 717 F.2d 1380 (Fed. Cir. 1983), overruled by *In re Seagate Tech., L.L.C.*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc), cert. denied sub nom., *Convolve, Inc. v. Seagate Tech., L.L.C.*, 128 S. Ct. 1445 (2008).

<sup>95</sup> *Id.* at 1389–90.

<sup>96</sup> *Seagate*, 497 F.3d at 1370.

<sup>97</sup> *Id.* (citing *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47 (2007)).

<sup>98</sup> *Id.* at 1371.

<sup>99</sup> *Id.* (citations omitted).

<sup>100</sup> *Id.* (citing *Safeco*, 551 U.S. at 69).

another “definitive test,” the “machine-or-transformation” test.<sup>101</sup> But this test, like the test it replaced, arguably converts a “helpful insight” into a “rigid and mechanical” test. It is easy to imagine innovative inventions that would not be protected by the new test.<sup>102</sup> Indeed, the *Bilski* court even concedes that it “may in the future refine or augment the test or how it is applied.”<sup>103</sup> But, the court insists, at “present” there is “no need” to do so.<sup>104</sup>

*Egyptian Goddess’s* reinstatement of a rigid test is more subtle but no less real. The court expressly abandoned the *Litton* point of novelty test; but then required the very same inquiry, i.e., whether the accused device copied what was novel in the patented design, under the Supreme Court’s *Gorham* test.<sup>105</sup> Confirmation of the lack of substantive difference between the old test and the new test is the complete judicial unanimity. No Federal Circuit judge issued a separate opinion in *Egyptian Goddess*, despite decades of applying the point of novelty test. There was no dissent because the decision did not change the practical effect of design patent law.<sup>106</sup>

Notably, the outcomes in *Bilski* and *Egyptian Goddess* were never in serious doubt. Both are easy cases for reaching the proper result. As to *Bilski*, no judge appears to believe that one should be able to get a patent on a hedge fund strategy.<sup>107</sup> Two of the three dissenters issued “dissents” because they did not like the standard adopted by the court; both Judge Mayer and Judge Rader would have rejected the *Bilski* claim.<sup>108</sup> As Judge Rader put it, the right result “could have been said in a single sentence: ‘Because *Bilski* claims merely an abstract idea, this court affirms the Board’s rejection.’”<sup>109</sup> Even the lone true dissenter, Judge Newman, did not suggest that *Bilski* should get a patent, but merely argued that the rejection should not have turned on the unpatentability of the subject matter.<sup>110</sup>

Likewise, the correct result in *Egyptian Goddess* was clear. At the end of the day, the only difference between the patented product and the accused product was significant under any test—the patented product had only three abrasive

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<sup>101</sup> *In re Bilski*, 545 F.3d 943, 959–60 (Fed. Cir. 2008) (en banc), *cert. granted*, 129 S. Ct. 2735 (2009).

<sup>102</sup> *See, e.g.*, Golden, *supra* note 39, at 348–62.

<sup>103</sup> *Bilski*, 545 F.3d at 956.

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

<sup>105</sup> *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 678 (Fed. Cir. 2008) (en banc), *cert. denied*, 129 S. Ct. 1917 (2009).

<sup>106</sup> *Id.* at 682–83.

<sup>107</sup> *But see Bilski*, 545 F.3d at 995–97 (Newman, J., dissenting).

<sup>108</sup> *Id.* at 1011 (Mayer, J., dissenting); *id.* at 1015 (Rader, J., dissenting).

<sup>109</sup> *Id.* at 1011 (Rader, J., dissenting).

<sup>110</sup> *Id.* at 975–77 (Newman, J., dissenting).

pads for buffing nails, while the accused product had four buffer pads.<sup>111</sup> A 25% increase in buffing capacity is a major design difference when the sole purpose of the product is nail buffing.<sup>112</sup> The court required only a simple application of *Gorham* to resolve the dispute. The accused device is plainly different from the patented buffer, and no amount of fine doctrinal adjustments was going to change the fact that the patent holder was going to lose. Indeed, it was the patent holder who successfully argued for abandonment of the “point of novelty” test only to lose anyway.<sup>113</sup> Similarly, *Egyptian Goddess* notes that both the district court and panel opinion reached the same result with a “different analytical approach.”<sup>114</sup>

*Seagate* also appears to take seriously the case-by-case determination anticipated by *Warner Jenkinson*.<sup>115</sup> The decision expressly states: “We do not purport to set out an absolute rule. Instead, trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel.”<sup>116</sup> Indeed, the court wrote that it would “leave it to future cases to further develop the application of this standard.”<sup>117</sup>

As for *KSR*'s call to focus on appropriate rewards for innovation, all the decisions are silent. Nowhere in its decision does the court discuss which policy would best promote innovation. In *Bilski*, only the dissenters address which rule of law would best promote innovation; the majority does not consider the question.<sup>118</sup> The court in *Egyptian Goddess* does not even quote the design patent statute, much less explain the purpose of design patents and how the decision of the court advances innovation. *Seagate* focuses on the practical

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<sup>111</sup> *Egyptian Goddess*, 543 F.3d at 680.

<sup>112</sup> *Id.* at 683.

<sup>113</sup> *Id.* at 672.

<sup>114</sup> *Id.* at 683. The ease with which *Bilski* and *Egyptian Goddess* should have been decided suggests that neither should have been taken en banc in the first place. The criteria for en banc review are that it is “necessary to secure or maintain uniformity of the court’s decisions” or “the proceeding involves a question of exceptional importance.” FED. R. APP. P. 35(a). In other courts of appeals, the en banc process is ordinarily reserved for cases in which the correct result is disputed. In the context of such a disagreement, en banc review secures uniformity or provides a suitable setting to resolve important questions. But where all agree on the right outcome, the en banc process arguably should not be used.

<sup>115</sup> *In re Seagate Tech., L.L.C.*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc), cert. denied sub nom., *Convolve, Inc. v. Seagate Tech., L.L.C.*, 128 S. Ct. 1445 (2008); see also *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 40 (1997).

<sup>116</sup> *Id.* at 1374–75.

<sup>117</sup> *Id.* at 1371. Although *Egyptian Goddess* repeats this aspect of *Seagate*, it does so in a far narrower context.

<sup>118</sup> See *In re Bilski*, 545 F.3d 943, 998 (Fed. Cir. 2008) (en banc), cert. granted, 129 S. Ct. 2735 (2009).

operation of discovery rather than on the best rule for promoting innovation through the rules governing enhanced damages.<sup>119</sup>

## Conclusion

As *Warner-Jenkinson* instructed, and as *Seagate* reiterated, patent law must develop on a case-by-case basis.<sup>120</sup> The Federal Circuit, alone among the courts of appeals, hears hundreds of patent cases a year.<sup>121</sup> That experience ought to allow it to reach context-specific judgments about what is and what is not a true innovation. Over time, the common law approach will provide guidance for inventors that best promote innovation. Thus, where precedent does not resolve a particular dispute, the Federal Circuit ought to so state and then explain why it believes resolving a dispute in one way is best for the development of patent law. This return to a common law methodology is preferable to detailed examination of Supreme Court precedent, particularly when the examination does not lead to decisions focused on promoting innovation. Extended discussion of Supreme Court case law as a prelude to announcing a mechanical test unconnected to promoting innovation is not likely to restore the Supreme Court's earlier deference to the Federal Circuit's "special expertise." In short, when the Federal Circuit states and explains its case-specific judgments that derive from its special place in the judicial system, it may once again find that the Supreme Court defers to its special expertise.

## Postscript

After this article was completed, the Federal Circuit issued another en banc decision, *Abbott Laboratories v. Sandoz, Inc.*<sup>122</sup> The opinion confirms the new focus on Supreme Court precedent and also arguably announced a legal rule disconnected from the goals of innovation. The court decided that "process terms in product-by-process claims serve as limitations in determining infringement."<sup>123</sup> The en banc portion of the opinion began just as this article predicts: "This rule finds extensive support in Supreme Court opinions that have addressed the proper reading of product-by-process claims."<sup>124</sup> The

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<sup>119</sup> *Seagate*, 497 F.3d at 1371.

<sup>120</sup> *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 40 (1997); *Seagate*, 497 F.3d at 1374.

<sup>121</sup> UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILINGS OF PATENT INFRINGEMENT FROM THE U.S. DISTRICT COURTS 1 (2008), <http://www.cafc.uscourts.gov/pdf/PatentFilingsHistorical1999-2008.pdf>.

<sup>122</sup> 566 F.3d 1282 (Fed. Cir. 2009) (en banc).

<sup>123</sup> *Id.* at 1293. A "product-by-process" claim is a claim that recites a product and a series of steps by which the product is obtainable.

<sup>124</sup> *Id.* at 1291.

en banc court then engaged in an extended discussion of an 1884 Supreme Court decision, *Cochrane v. Badische Anilin & Soda Fabrik*.<sup>125</sup> The court also referred to “overall” claim construction principles set out in *Warner-Jenkinson*.<sup>126</sup> The dissenting Federal Circuit judges argued that the Supreme Court cases on which the majority relied “lend[] no support” to the holding.<sup>127</sup> Further, the dissent argued that the majority’s purportedly “simple” “basic rule” was insufficiently attentive to innovation.<sup>128</sup> Regardless of the accuracy of that critique, *Abbott Labs.* does not explain why the holding advances the basic purposes of the patent laws. In that respect as well, the Federal Circuit’s most recent en banc opinion is in line with *Bilski*, *Egyptian Goddess* and *Seagate*.

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<sup>125</sup> 111 U.S. 293 (1884); *Abbott Labs.*, 566 F.3d at 1292–93.

<sup>126</sup> *Abbott Labs.*, 566 F.3d at 1282.

<sup>127</sup> *Id.* at 1312 (Newman, J., dissenting).

<sup>128</sup> *Id.* at 1317, 1318 (Newman, J., dissenting).