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## The Federal Circuit's Acquiescence (?)

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## The Federal Circuit's Acquiescence (?)

### **Keywords**

U.S. Court of Appeals for the Federal Circuit, patent, United States Patent and Trademark Office, USPTO

## ESSAYS

### THE FEDERAL CIRCUIT'S ACQUIESCENCE (?)

TIMOTHY R. HOLBROOK\*

*The U.S. Court of Appeals for the Federal Circuit is a unique institution within the federal judiciary. It is the only intermediate appellate court with nationwide jurisdiction over particular subject matter. Only the Supreme Court has the same geographic scope. Of particular importance is its appellate jurisdiction over cases arising under the patent laws. It is also unique that, given its patent expertise, it oversees an expert agency, the United States Patent and Trademark Office (USPTO). This Essay explores the relationship of the Federal Circuit vis-à-vis the Supreme Court and the USPTO over three periods of time. It first explores the early years of the court's existence where, in light of the Supreme Court's absence from the field of patent law, the Federal Circuit generally ignored—if not overruled—Supreme Court precedent. Also during this period of time, the Federal Circuit generally refused to defer to the USPTO in a manner inconsistent with administrative law principles. The second period of time was one of transition: The Supreme Court began to reengage with patent law, generating resistance from the Federal Circuit. Similarly, Supreme Court cases and legislative developments began to shift power in patent law away from the Federal Circuit and toward the USPTO. The third and final era is one of acquiescence to the jurisprudence of the Supreme Court and deference to the USPTO. However, two pending en banc cases may portend the end of this era of acquiescence, hence the question mark in this Essay's title.*

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\* Professor of Law, Emory University School of Law. My thanks to the *American University Law Review* for allowing me to participate in this tremendous and important annual event. Thanks to Lucas Osborn, for comments on an earlier draft of this article, and Zach Stevenson, for helpful and timely research assistance. © 2016 Timothy R. Holbrook.

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## INTRODUCTION

The U.S. Court of Appeals for the Federal Circuit is unique in the federal judiciary. It is the only permanent intermediate appellate court with national jurisdiction based on particular subject matter.<sup>1</sup>

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1. See Joseph R. Re, *Brief Overview of the Jurisdiction of the U.S. Court of Appeals for the Federal Circuit Under § 1295(a)(1)*, 11 FED. CIR. B.J. 651, 653 (2002). Congress has, at times, created temporary courts with national jurisdiction over particular subject matter areas. For example, Congress created the Temporary Emergency Court of Appeals (TECA) to deal with issues arising from the Economic Stabilization Act of 1970, which “authorized the President to stabilize prices, rents, wages, and salaries, and to establish priorities for use and allocation of petroleum products.” *Tex. Am. Oil Corp. v. U.S. Dep’t of Energy*, 44 F.3d 1557, 1562 (Fed. Cir. 1995) (en banc). TECA dealt with particular issues, though, and not cases. See *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 838 n.3 (2002) (Stevens, J., concurring) (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 820–21 n.1 (1988) (Stevens, J., concurring)). It was staffed with current Article III judges on a part-time basis. See Richard L. Revesz, *Specialized Courts and the Administrative Lawmaking System*, 138 U. PA.

It was created by merging two existing courts—the Court of Customs and Patent Appeals (CCPA) and the Court of Claims.<sup>2</sup> Unlike other courts, it was also charged with a particular mission by Congress: to bring uniformity to the nation's patent laws.<sup>3</sup> The regional circuits had created such a tangle of doctrine, with some circuits being rather hostile to patents, that forum shopping was rampant.<sup>4</sup> By centralizing expertise at the appellate level, Congress hoped to reduce such shopping, generate a uniform body of patent law, and enhance the value of patents within the United States.<sup>5</sup>

The Federal Circuit is uniquely situated. Though inferior to the Supreme Court, it nevertheless also has national jurisdiction in patent law.<sup>6</sup> It seemingly has expertise in patent law in a way that the generalist Supreme Court does not.<sup>7</sup> When coupled with the Supreme Court's inattention to patent law prior to, and immediately following, the court's creation, the Federal Circuit appeared in its early years to be the “de facto supreme court of patents.”<sup>8</sup>

The Federal Circuit also has appellate jurisdiction over an expert agency, the United States Patent and Trademark Office (USPTO).<sup>9</sup> Normally, when a court reviews administrative agency decisions, the appellate court is a generalist court with no particular expertise.<sup>10</sup> The U.S. Court of Appeals for the D.C. Circuit effectively has expertise in administrative law, but the court does not have specific

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L. REV. 1111, 1111–12 (1990). Ultimately, TECA's jurisdiction was transferred to the Federal Circuit. See *Tex. Am. Oil Corp.*, 44 F.3d at 1561.

2. Jonas Anderson, *Congress as a Catalyst of Patent Reform at the Federal Circuit*, 63 AM. U. L. REV. 961, 975 (2014).

3. Alan D. Lourie, *Foreword*, 65 AM. U. L. REV. 763, 764 (2016).

4. See Christopher A. Cotropia, “*Arising Under*” *Jurisdiction and Uniformity in Patent Law*, 9 MICH. TELECOMM. & TECH. L. REV. 253, 259–60 (2003) (describing the problems with regional circuit review of patent law).

5. See *id.* at 261 (stating that Congress aimed to “promote certainty” in patent cases (quoting H.R. REP. NO. 97-312, at 22 (1981))); R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PA. L. REV. 1105, 1115–16 (2004).

6. See 28 U.S.C. § 1295(a) (2012).

7. See Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 3 (1989) (describing the Federal Circuit as “a sustained experiment in specialization”).

8. Mark D. Janis, *Patent Law in the Age of the Invisible Supreme Court*, 2001 U. ILL. L. REV. 387, 387; see also Howard T. Markey, *The Federal Circuit and Congressional Intent*, 41 AM. U. L. REV. 577, 577–79 (1992) (highlighting the court's internal review procedures as a reason for the Supreme Court's minimal involvement).

9. See § 1295(a)(4)(A).

10. See, e.g., Revesz, *supra* note 1, at 1111.

expertise in any particular regulatory area.<sup>11</sup> In contrast, the Federal Circuit shares an area of substantive expertise with the USPTO.<sup>12</sup> Indeed, one of the Federal Circuit's predecessors, the CCPA, had appellate jurisdiction over the USPTO.<sup>13</sup> As such, early in its creation, the Federal Circuit and the USPTO often had "turf wars" over what deference was owed to the Agency.<sup>14</sup>

More recently, however, these dynamics appear to have shifted. The Supreme Court has reengaged with patent law, and, after an initial period of resistance, the Federal Circuit increasingly is following the Court's precedent with little pushback.<sup>15</sup> Additionally, after some Supreme Court intervention and the passage of the Leahy-Smith America Invents Act (AIA),<sup>16</sup> the Federal Circuit has begun treating the USPTO with greater deference in a manner akin to how most appellate courts review administrative agencies.<sup>17</sup>

This Essay explores the transformation of the Federal Circuit and its recent acquiescence to both the Supreme Court and the USPTO. It offers some explanations for this transformation and then looks to the pending en banc decisions in *In re Aqua Products, Inc.*<sup>18</sup> and *Wi-Fi One, LLC v. Broadcom Corp.*<sup>19</sup> to foresee whether such post-AIA deference will continue.

#### I. THE EARLY YEARS: THE FEDERAL CIRCUIT AS THE SUPREME COURT OF PATENT LAW

Congress created the Federal Circuit after years of study and debate over how to create uniformity in certain areas of law and to reduce the federal courts' overloaded docket.<sup>20</sup> Some viewed this

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11. *Id.* at 1123. See generally John M. Golden, *The Federal Circuit and the D.C. Circuit: Comparative Trials of Two Semi-Specialized Courts*, 78 GEO. WASH. L. REV. 553 (2010) (discussing the D.C. Circuit as a quasi-specialized court and comparing it to the Federal Circuit).

12. See § 1295(a)(4).

13. See Cotropia, *supra* note 4, at 259.

14. See discussion *infra* Section I.B.

15. See discussion *infra* Section III.A.

16. Pub. L. No. 112-29, 125 Stat. 284 (2011).

17. See discussion *infra* Section III.B.

18. 833 F.3d 1335 (Fed. Cir. 2016) (en banc) (per curiam).

19. Nos. 2015-1944, 2015-1945, 2015-1946, 2017 WL 957224, at \*1 (Fed. Cir. Jan. 4, 2017) (per curiam).

20. See Wagner & Petherbridge, *supra* note 5, at 1114 (describing the Federal Circuit as a "calculated institutional design refined over two decades"); see also *History of the Federal Judiciary, Landmark Judicial Legislation: Federal Circuit Act 1982*, FED. JUD.

new appellate entity as an experiment with expert courts.<sup>21</sup> As such, the Federal Circuit was a bit of an oddball at its creation. It thus had a challenge before it: It needed to take the unruly patent doctrine of other courts and attempt to create some uniformity in the law. But it had to do so while reviewing the judgments of district courts that were utterly unfamiliar with this new court way off in Washington, D.C. In other words, the Federal Circuit had to demonstrate its legitimacy to the district courts and perhaps to other institutions.<sup>22</sup> At times, the enterprise did not appear to go well.<sup>23</sup> Nevertheless, the atmosphere surrounding the court's creation may offer some explanation for the two dynamics this Part discusses: the Federal Circuit willfully ignoring Supreme Court precedent with which it disagreed and the Federal Circuit's refusal to defer to the USPTO. Ultimately, the court appeared to be aggrandizing power over the patent system at the intermediate appellate level.

A. *The Federal Circuit Cleans up Patent Law—and Ignores (Overturns?) Supreme Court Precedent*

When the Federal Circuit was created, it had a monumental task on its hands: creating uniformity from the morass of patent case law developed by the regional circuits.<sup>24</sup> The law varied widely from circuit to circuit, which was part of the reason for creating the Federal Circuit.<sup>25</sup> Implicit in such circuit variation is the reality that the Supreme Court was not terribly engaged in patent law and let

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CTR., [http://www.fjc.gov/history/home.nsf/page/landmark\\_22.html](http://www.fjc.gov/history/home.nsf/page/landmark_22.html) (last visited Apr. 28, 2017).

21. See Dreyfuss, *supra* note 7.

22. Cf. Timothy R. Holbrook & Mark D. Janis, *Expressive Eligibility*, 5 U.C. IRVINE L. REV. 973, 986–87 (2015) (examining the Supreme Court's institutional legitimacy in the patent space vis-à-vis its interactions with the Federal Circuit).

23. See, e.g., Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 HARV. J.L. & TECH. 1, 11 (2001) (“[The patent case] goes to the Federal Circuit afterwards. You know, it’s hard to deal with things that are ultimately resolved by people wearing propeller hats.” (quoting *O.I. Corp. v. Tekmar Co.*, No. 95-CV-113 (S.D. Tex. June 17, 1996))).

24. See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 651 (1999) (Stevens, J., dissenting) (noting “the divergence among the federal circuits in their interpretation of patent issues” as partly “provid[ing] support for the congressional decision in 1982 to consolidate appellate jurisdiction of patent appeals in the Court of Appeals for the Federal Circuit”).

25. *Id.*

these differences develop and fester.<sup>26</sup> In that regard, the Supreme Court was partly at fault for the disarrayed state of patent law.<sup>27</sup>

From this perspective, the Federal Circuit's assertion of itself as the "supreme court of patent law" is unsurprising. The court faced a daunting task of assimilating the disparate doctrines into a uniform body of law.<sup>28</sup> It also had to earn respect and legitimacy in the eyes of the district courts.<sup>29</sup> The court therefore needed to take clear and fairly aggressive positions vis-à-vis patent law.

Given the legitimacy concern, it also makes sense that the Supreme Court remained absent during the Federal Circuit's early years. If the Supreme Court had intervened frequently, particularly on matters of substantive patent law, then the new court may have looked weak and inferior to its peers. The Supreme Court's hands-off approach allowed the Federal Circuit to mature and to consolidate various doctrines.

And hands-off the Supreme Court was. The Court rarely took patent cases.<sup>30</sup> When it did, they typically involved procedural or constitutional law issues.<sup>31</sup> The Court infrequently addressed core patent law doctrines.<sup>32</sup> In one of the rare cases during this period in which the Supreme Court did review substantive patent law, the Court criticized

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26. See John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 6 SUP. CT. REV. 273, 275 (2002) ("[The Supreme Court] seemed to lose interest in the field at mid-century, and the Court's patent docket precipitously declined. For the next three decades, the Court averaged barely one patent decision per year . . ."); Janis, *supra* note 8, at 391 (noting that providing discretionary review of patent cases to the Supreme Court meant "the Court's involvement in routine patent matters ceased").

27. Duffy, *supra* note 26, at 276 ("The Federal Circuit was created in part because of the Supreme Court's then decades-long neglect of the field . . .").

28. See *Fla. Prepaid Postsecondary*, 527 U.S. at 651; Dreyfuss, *supra* note 7.

29. See *supra* notes 22–23 and accompanying text.

30. See *supra* notes 26–27.

31. See Timothy R. Holbrook, *The Supreme Court's Complicity in Federal Circuit Formalism*, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 1, 6 & n.30 (2003). The Supreme Court did address the doctrine of equivalents on the merits in *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, considering both the all-elements rule and prosecution history estoppel. 520 U.S. 17, 24, 29–30, 40–41 (1997). It appears to me, however, that the Court was partially duped, thinking that the case implicated Seventh Amendment jury trial rights. *Id.* at 37 ("The various opinions below, respondents, and *amici* devote considerable attention to whether application of the doctrine of equivalents is a task for the judge or for the jury."). The Court ultimately declined to answer that question. *Id.* at 38.

32. See Holbrook, *supra* note 31, at 6.

the Federal Circuit (now ironically) for offering too little certainty regarding the substantive standard for the on-sale bar to patentability.<sup>33</sup>

The Federal Circuit took advantage of the Supreme Court's abdication of judicial supremacy in patent law. The court quickly began to clarify the law, even if, at times, its decisions seemed to conflict with earlier Supreme Court precedent. For example, the Federal Circuit jettisoned the concept of "combination patents."<sup>34</sup> It discarded the doctrine that an invention is obvious under 35 U.S.C. § 103 if it was "obvious to try."<sup>35</sup> It elevated the importance of the secondary indicia of non-obviousness, noting that a court must consider these factors if in evidence.<sup>36</sup> The court dramatically

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33. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 65–66 (1998) (rejecting the Federal Circuit's multi-factor test determining the trigger for the on-sale bar to patentability). *But see* Timothy R. Holbrook, *The More Things Change, the More They Stay the Same: Implications of Pfaff v. Wells Electronics, Inc. and the Quest for Predictability in the on-Sale Bar*, 15 BERKELEY TECH. L.J. 933, 933 (2000) (asserting that the Court's test in *Pfaff* had little effect on the law because the lower courts' application of it diverged significantly).

34. *See, e.g.*, *Milliken Research Corp. v. Dan River, Inc.*, 739 F.2d 587, 593 (Fed. Cir. 1984) (reiterating that the Federal Circuit does not adhere to the premise that non-obviousness is difficult to find in combination patents and "if it was obvious to try combining elements, the combination itself must be obvious"); *Medtronic, Inc. v. Cardiac Pacemakers, Inc.*, 721 F.2d 1563, 1566 (Fed. Cir. 1983) (finding no statutory distinction between combination patents and other types of patents, and that classification of combination patents confuses the law). *But see* *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 281 (1976) ("Courts should scrutinize combination patent claims with a care proportioned to the difficulty and improbability of finding invention in an assembly of old elements." (quoting *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 152 (1950))).

35. *Novo Nordisk A/S v. Becton Dickinson & Co.*, 304 F.3d 1216, 1220 (Fed. Cir. 2002) (pointing to "obvious to try" as the incorrect obviousness standard but noting the hotly contested debate over the issue); *In re Deuel*, 51 F.3d 1552, 1559 (Fed. Cir. 1995) ("'Obvious to try' has long been held not to constitute obviousness."); *Milliken*, 739 F.2d at 593; *Jones v. Hardy*, 727 F.2d 1524, 1530 (Fed. Cir. 1984) ("[T]reating the advantage as the invention disregards the statutory requirement that the invention be viewed 'as a whole,' ignores the problem-recognition element, and injects an improper 'obvious to try' consideration."). *But see* *Sakraida*, 425 U.S. at 282 (reasoning that the reordering of old system elements may have produced "more striking results," but those results were still the product of the old elements functioning in the same manner as before). The concept of obviousness compares a patent-hopeful invention with current patented inventions to ensure that the processes, the functions, and the technology are readily distinguishable by a person with ordinary skills in the area that the patent-hopeful invention seeks to enter. Daniel A. Tysver, *Patent Requirements*, BITLAW, <http://www.bitlaw.com/patent/requirements.html#nonobvious> (last visited Apr. 28, 2017).

36. *Simmons Fastener Corp. v. Ill. Tool Works, Inc.*, 739 F.2d 1573, 1574 (Fed. Cir. 1984) ("[T]he trial court erred as a matter of law in refusing to consider the evidence of secondary considerations . . ."). *But see* *Graham v. John Deere Co.*, 383

expanded what constituted patentable subject matter.<sup>37</sup> And it made it easier for patent applicants to demonstrate an invention's utility, seemingly in tension with the Supreme Court precedent on the issue.<sup>38</sup>

*B. The Federal Circuit Asserts Its Dominion over the USPTO*

When Congress created the Federal Circuit, the court inherited the CCPA's jurisdiction over the USPTO's patent validity and interference determinations.<sup>39</sup> The initial judges on the Federal Circuit were the judges of both the CCPA and the Court of Claims.<sup>40</sup> As such, the CCPA judges brought with them their previous experience with the USPTO.

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U.S. 1, 17–18 (1966) (“Such secondary considerations . . . *might be utilized* to give light to the circumstances surrounding the origin of the subject matter sought to be patented.” (emphasis added)). A district court highlighted this shift:

[T]he Supreme Court [in *Graham*] noted that secondary considerations “may be relevant in particular cases.” [*Graham*, 383 U.S. at 18]. Teva argues, based on this language, that consideration of such evidence is discretionary, not mandatory. The Federal Circuit, however, has clearly instructed that secondary considerations must be considered in every case in which they are present. *See, e.g.*, *Custom Accessories, Inc. v. Jeffrey-Allan Industries, Inc.*, 807 F.2d 955 (Fed. Cir. 1986). “Arguably, the Federal Circuit has more eagerly employed [secondary considerations] than th[e] Supreme Court language [in *Graham*] would suggest.” ROGER SCHECHTER & JOHN THOMAS, *PRINCIPLES OF PATENT LAW* 163 (2d ed.). This Court is bound by the Federal Circuit precedent unless and until the Supreme Court overrules it.

*Pfizer Inc. v. Teva Pharm. USA, Inc.*, 460 F. Supp. 2d 650, 652 n.1 (D.N.J. 2006) (third, fourth, and fifth alterations in original).

37. *State St. Bank & Tr. Co. v. Signature Fin. Grp., Inc.*, 149 F.3d 1368, 1373 (Fed. Cir. 1998), *abrogated by In re Bilski*, 545 F.3d 943, 959–60, 960 n.19 (Fed. Cir. 2008) (en banc); *see Hughes Aircraft Co. v. United States*, 148 F.3d 1384, 1385 (Fed. Cir. 1998) (Clevenger, J., dissenting from denial of rehearing en banc) (“[A]s this court has recently held, virtually anything is patentable.” (citing *State St. Bank*, 149 F.3d 1368)). *See generally* John R. Thomas, *The Patenting of the Liberal Professions*, 40 B.C. L. REV. 1139, 1159 (1999) (“This aberrant reinterpretation of *Diehr* and *Chakrabarty* does a disservice to the many Federal Circuit opinions that have applied the *Freeman-Walter-Abele* test in patent eligibility determinations.”).

38. *In re Brana*, 51 F.3d 1560, 1564–65 (Fed. Cir. 1995) (finding tumor models sufficient for utility). *But see Brenner v. Manson*, 383 U.S. 519, 534–35 (1966) (requiring “specific benefit [that] exists in currently available form”).

39. Revesz, *supra* note 1, at 1125.

40. *See History of the Federal Judiciary: U.S. Court of Customs and Patent Appeals*, FED. JUD. CTR., [http://www.fjc.gov/history/home.nsf/page/courts\\_special\\_cpa.html](http://www.fjc.gov/history/home.nsf/page/courts_special_cpa.html) (last visited Apr. 28, 2017); *see also* Jim Davis, *Formation of the Federal Circuit*, 11 FED. CIR. B.J. 547, 548 (2002) (mentioning multiple judges from the Court of Claims that moved over to the Federal Circuit).

The CCPA, much like the current Federal Circuit, was an expert Article III court overseeing an expert agency.<sup>41</sup> Moreover, the CCPA always sat en banc, which meant that its earlier decisions were not binding precedent.<sup>42</sup> Instead, the court was only bound by stare decisis.<sup>43</sup> As a result, the CCPA would, on occasion, change its law after a fairly short period of time.<sup>44</sup> The CCPA also had a contentious relationship with the USPTO. For example, the CCPA and the USPTO wrestled with the definition of utility under 35 U.S.C. § 101, a dispute ultimately decided by the Supreme Court in favor of the USPTO.<sup>45</sup>

Given this history, it is somewhat unsurprising that the Federal Circuit, early in its existence, similarly refused to treat the USPTO as a typical agency.<sup>46</sup> The Federal Circuit embraced its own role in supervising substantive patent law, particularly given that the USPTO had no substantive rulemaking authority.<sup>47</sup> In some ways, it was as if

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41. See Revesz, *supra* note 1, at 1131 n.98 (explaining that Congress enacted legislation in 1956 designating the CCPA as an Article III court).

42. *Deckers Corp. v. United States*, 752 F.3d 949, 962 (Fed. Cir. 2014); *In re Gosteli*, 872 F.2d 1008, 1011 (Fed. Cir. 1989).

43. *Deckers Corp.*, 752 F.3d at 962–63 (explaining that the CCPA would only overturn a prior ruling upon a finding of clear error).

44. See, e.g., *In re Foster*, 343 F.2d 980, 990 (C.C.P.A. 1965) (overruling, two years later, *In re Palmquist's* “time when the invention is made” approach with an anticipatory filing approach); *H.W. Robinson Air Freight Corp. v. United States*, 48 C.C.P.A. 148, 152–53 (1961) (overruling, five years later, the court’s prior decision in *United States v. Damrak Trading Co.*, 43 C.C.P.A. 77 (1956), for “clear error”).

45. *Brenner v. Manson*, 383 U.S. 519, 522 n.4, 529 (1966) (noting the “clear conflict between the Patent Office and the CCPA”). The Supreme Court ultimately agreed with the USPTO that the invention at issue—a method for making steroids of unknown practical use—lacked utility. *Id.* at 531–32. Some judges at the CCPA pushed back at the Supreme Court after *Brenner*, foreshadowing the Federal Circuit’s initial resistance to the Supreme Court’s interventions. See *In re Kirk*, 376 F.2d 936, 948 (C.C.P.A. 1967) (arguing that the Court should distinguish *Brenner*, not extend it).

46. Cf. Arti Rai, *Addressing the Patent Gold Rush: The Role of Deference to PTO Patent Denials*, 2 WASH. U. J.L. & POL’Y 199, 201 (2000) (criticizing the Federal Circuit for “refus[ing] to apply administrative law principles” when reviewing patents denied by the USPTO).

47. See, e.g., *Tafas v. Doll*, 559 F.3d 1345, 1352 (Fed. Cir. 2009) (finding that 35 U.S.C. § 2(b)(2) did not grant the USPTO with “general substantive rulemaking power”), *vacated en banc*, 328 F. App’x 658 (Fed. Cir. 2009) (per curiam); *Brand v. Miller*, 487 F.3d 862, 869 n.3 (Fed. Cir. 2007) (noting that *Chevron* deference did not apply to the USPTO on substantive patent law questions); *In re Zurko*, 142 F.3d 1447, 1458–59 (Fed. Cir. 1998) (en banc) (holding that the Federal Circuit applied a “heightened level of scrutiny” over the Board of Patent Appeals and Interference’s decisions to ensure that the court could properly “oversee complex legal determinations such as obviousness”), *rev’d sub nom.* *Dickinson v. Zurko*, 527 U.S. 150 (1999).

the Federal Circuit viewed the expert agency as the court's handmaiden when it came to substantive patent law.

A number of cases demonstrate this dynamic. For example, in *In re Donaldson Co.*,<sup>48</sup> the Federal Circuit addressed the manner by which the USPTO interpreted claims in "means-plus-function" format pursuant to 35 U.S.C. § 112, ¶ 6.<sup>49</sup> That provision permits the use of functional limitations in claims, but such limitations are construed to cover only the structures disclosed in the specification that perform the claimed function as well as equivalents to those structures.<sup>50</sup> The USPTO, however, refused to apply the statute. Instead, the agency simply looked for anything in the prior art that would perform the claimed function regardless of whether that structure had been disclosed in the patent.<sup>51</sup> In other words, the USPTO construed means-plus-function claims to cover any means of performing the claimed function.<sup>52</sup>

The Federal Circuit in *Donaldson* rejected the USPTO's claim construction approach, concluding that it was inconsistent with the clear statutory mandate.<sup>53</sup> The court held "that paragraph six applies regardless of the context in which the interpretation of means-plus-function language arises, i.e., whether as part of a patentability determination in the [US]PTO or as part of a validity or infringement determination in a court."<sup>54</sup> The court also overruled CCPA precedent that appeared to countenance the USPTO's approach.<sup>55</sup> In so doing, the Federal Circuit rejected the USPTO's

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48. 16 F.3d 1189 (Fed. Cir. 1994) (en banc).

49. 35 U.S.C. § 112, ¶ 6 (2006); *Donaldson*, 16 F.3d at 1192. Congress renumbered this section when it passed the America Invents Act so that, under current law, the proper citation is § 112(f). At the time of *Donaldson*, however, the convention was to describe § 112 based on the paragraphs within that section as they were not numbered. Because the case used the old version of § 112, I will use the older convention.

50. 35 U.S.C. § 112, ¶ 6.

51. *Donaldson*, 16 F.3d at 1193 (noting that the USPTO refused to consider structure in specification).

52. *Id.* at 1193 n.3 (highlighting the USPTO's "practice of interpreting means-plus-function language as reading on each and every means of performing that function").

53. *Id.* at 1193 (clarifying that Congress's language in paragraph six mandates that the USPTO, when "construing means-plus-function language in a claim," view the specification according to all relevant factors such as "structure, material, or acts described therein," if available).

54. *Id.*

55. *Id.* at 1193–94 (overruling *In re Lundberg*, 244 F.2d 543 (C.C.P.A. 1957), and *In re Arbeit*, 206 F.2d 947 (C.C.P.A. 1953), as well as "any other precedent of this court suggest[ing] or hold[ing] to the contrary").

long-used practice,<sup>56</sup> one that seemingly had been endorsed by the Federal Circuit's predecessor.<sup>57</sup> Importantly, the Federal Circuit specifically rejected the USPTO Commissioner's argument that his position was "entitled to deference in view of what the Commissioner alleges is the [US]PTO's sweeping and long-standing practice of not applying paragraph six during examination."<sup>58</sup> The court noted that the USPTO's "fail[ure] to adhere to a statutory mandate over an extended period of time does not justify its continuing to do so."<sup>59</sup> The court also concluded that there was no ambiguity in the statute as to whether it applied to patent prosecution, thus eliminating another potential avenue for affording the USPTO's approach some deference.<sup>60</sup> The court, therefore, asserted its dominion over the expert agency, rejecting decades-old procedures and overruling precedent that embraced that approach. In this sense, the court's decision in *Donaldson* is a striking managerial decision.

Perhaps no case exemplifies the tension between the Federal Circuit and the USPTO better than *In re Kemps*.<sup>61</sup> The case was a run-of-the-mill obviousness case, but the USPTO used it as a vehicle to advocate for a different standard of review of its factual determinations.<sup>62</sup> The Federal Circuit had long held that it reviewed USPTO fact-finding under the "clearly erroneous" standard.<sup>63</sup> In previous cases, the USPTO had argued to change the standard to the Administrative Procedure Act's (APA)<sup>64</sup> "arbitrary and capricious" standard.<sup>65</sup> In *Kemps*, however, the USPTO—in the words of the

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56. See Thomas L. Stoll & Kara A. Farnandez, *Means for Functioning in a Vacuum?*, 76 J. PAT. & TRADEMARK OFF. SOC'Y 239, 243 (1994) (noting that the Federal Circuit had "reversed . . . a long standing policy").

57. *Lundberg*, 244 F.2d at 548 ("[N]otwithstanding the third paragraph of section 112, it is the language itself of the claims which must particularly point out and distinctly claim the subject matter which the applicant regards as his invention, without limitations imported from the specification, whether such language is couched in terms of means plus function or consists of a detailed recitation of the inventive matter."), *overruled by Donaldson*, 16 F.3d 1189.

58. *Donaldson*, 16 F.3d at 1194.

59. *Id.*

60. *Id.*

61. 97 F.3d 1427 (Fed. Cir. 1996), *abrogated by In re Gartside*, 203 F.3d 1305 (Fed. Cir. 2000).

62. *Kemps*, 97 F.3d at 1430.

63. See, e.g., *In re Longi*, 759 F.2d 887, 892 (Fed. Cir. 1985) ("[W]e review any underlying facts found by the Board under the clearly erroneous standard.").

64. Pub. L. No. 79-404, 60 Stat. 237 (1946).

65. *Kemps*, 97 F.3d at 1431 n.4; see, e.g., *In re Brana*, 51 F.3d 1560, 1569 (Fed. Cir. 1995).

Federal Circuit—“presumptuously assumed this standard for briefing and argument” without arguing for en banc reconsideration.<sup>66</sup>

Needless to say, the Federal Circuit was not pleased. The court noted that “[t]he briefing of the entire case by the [US]PTO under the incorrect standard was inappropriate.”<sup>67</sup> The court faulted the USPTO for “unfairly burden[ing] the applicant” who “felt like ‘a bystander to some long-running dispute to which he really is not a party.’”<sup>68</sup> The court also faulted the USPTO for failing to argue for en banc consideration: “the [US]PTO simply declared that the standard of review was ‘arbitrary and capricious,’ briefed the case as such, and effectively disregarded the substantial precedent behind the court’s standard of review, with only a footnote recognizing the correct standard.”<sup>69</sup> Ultimately, the Federal Circuit concluded that this case would have been decided the same way under either standard; therefore, the issue was not ripe for decision.<sup>70</sup> The court concluded,

Accordingly, regardless of the merits of the [US]PTO’s argument that the APA standard should be applied, the use of that standard in this case was inappropriate and unnecessary. It unfairly burdened Kemps and did not present an issue requiring determination. Under these circumstances, we consider the [US]PTO’s brief and argument less forthright than we expect and normally receive.<sup>71</sup>

Acting on a somewhat odd suggestion by the Federal Circuit,<sup>72</sup> the USPTO eventually did find an appropriate vehicle to challenge the standard of review en banc.<sup>73</sup> The en banc Federal Circuit considered the arguments made by the USPTO but remained unpersuaded, maintaining the “clearly erroneous” standard and concluding that the standard was exempt under the APA.<sup>74</sup> The Federal Circuit stated that 5 U.S.C. § 559 exempted the USPTO from

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66. *Kemps*, 97 F.3d at 1431 & n.4.

67. *Id.* at 1430–31.

68. *Id.* at 1431.

69. *Id.* (footnote omitted).

70. *Id.*

71. *Id.*

72. *In re Zurko*, 111 F.3d 887, 889 n.2 (Fed. Cir. 1997) (“The argument is appropriately made in a petition suggesting rehearing in banc, *in a case such as this*, wherein the court has decided that clear error by the Board requires reversal.” (emphasis added)), *aff’d on reh’g en banc*, 142 F.3d 1447 (Fed. Cir. 1998) (en banc), *rev’d sub nom.* *Dickinson v. Zurko*, 527 U.S. 150 (1999).

73. *Zurko*, 142 F.3d 1447.

74. *Id.* at 1449.

“arbitrary and capricious” review.<sup>75</sup> Tellingly, the court noted that the clear error standard helps “avoid situations where board fact finding on matters such as anticipation or the factual inquiries underlying obviousness become virtually unreviewable.”<sup>76</sup> This language suggests that, to some extent, the Federal Circuit distrusts the USPTO’s determinations.

The Supreme Court disagreed with the Federal Circuit. The Court granted certiorari and held that the APA does apply to USPTO fact-finding, although it declined to determine which APA review standard applied.<sup>77</sup> The Federal Circuit subsequently adopted the “substantial evidence” standard of review,<sup>78</sup> thus denying the USPTO its original goal of a highly deferential “arbitrary and capricious” standard.

Moreover, even in the face of seeming defeat by the Supreme Court in favor of the USPTO, the Federal Circuit pushed back a bit more. Perhaps in a case of “be careful what you wish for,” the Federal Circuit made clear that the USPTO’s fact-finding must be supported by the evidence of record and not merely from the expertise of the Agency.<sup>79</sup>

The Federal Circuit’s tough treatment of the USPTO is not surprising. The expert court is reviewing the expert agency, and it is foreseeable that the court would want to assert its supremacy.

The above discussion, however, is not meant to suggest that the Federal Circuit always disagreed with the USPTO. At times, the court did agree with moves by the Agency. For example, the *State Street*

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75. *Id.* at 1452. Section 559 states that “[the provisions of this section] do not limit or repeal additional requirements imposed by statute or otherwise recognized by law.” 5 U.S.C. § 559 (2012). Because the USPTO predates the Administrative Procedure Act (APA), the court concluded that the “clearly erroneous” standard arose prior to the APA and thus fell within the exception. *Zurko*, 142 F.3d at 1452.

76. *Zurko*, 142 F.3d at 1458.

77. *Dickinson*, 527 U.S. at 154, 165; *see also In re Gartside*, 203 F.3d 1305, 1312 (Fed. Cir. 2000) (highlighting the Supreme Court’s failure in *Dickinson* to approve an appropriate standard of review for the USPTO’s finding of fact as either (1) the arbitrary and capricious test or (2) the substantial evidence test).

78. *Gartside*, 203 F.3d at 1313.

79. *In re Sang-Su Lee*, 277 F.3d 1338, 1344 (Fed. Cir. 2002) (noting that the APA’s “[d]eferential judicial review” provision reinforces the agency’s requirement for evidence-based findings); *In re Zurko*, 258 F.3d 1379, 1386 (Fed. Cir. 2001) (“With respect to core factual findings in a determination of patentability, however, the Board cannot simply reach conclusions based on its own understanding or experience—or on its assessment of what would be basic knowledge or common sense. Rather, the Board must point to some concrete evidence in the record in support of these findings.”).

*Bank & Trust Co. v. Signature Financial Group, Inc.*<sup>80</sup> case came to the Federal Circuit from district court infringement litigation and not from the USPTO.<sup>81</sup> The Federal Circuit ultimately confirmed the patentability of business methods (albeit for a limited time).<sup>82</sup> Necessarily, for this issue to arise in litigation, the USPTO had already begun issuing patents on business methods, so the *State Street* decision confirmed what the USPTO had already been doing: issuing business method patents.<sup>83</sup> The Federal Circuit also agreed with the USPTO when it made the utility standard “more stringent”<sup>84</sup> in the face of patent applications on gene fragments.<sup>85</sup>

Nevertheless, in this early era, the Federal Circuit was willing and able to disagree with the USPTO in areas where one might think a court should defer. The expert court, in the face of an absent Supreme Court, was arrogating power to itself at the expense of the expert agency it reviewed.

## II. THE TRANSITION: SUPREME COURT INTERVENTION AND ASCENDANCE OF THE USPTO AS AN AGENCY

The Supreme Court’s relative absence in matters handled by the Federal Circuit began to change at the turn of the millennium. The Court started to send signals that it was concerned with both the institution and the doctrine of the Federal Circuit. Meanwhile, the Federal Circuit, in the face of a reengaging Supreme Court and a new patent statute, began to treat the USPTO differently. This Part discusses the transition.

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80. 149 F.3d 1368 (Fed. Cir. 1998), *abrogated by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008).

81. *Id.* at 1370.

82. See Jonathan Masur, *Patent Inflation*, 121 YALE L.J. 470, 525–26 (2011) (noting that the Federal Circuit first addressed and upheld the patentability of business methods in *State Street* but backtracked on its approval ten years later in *Bilski*).

83. See *id.* at 523–25 (positing that the USPTO, reacting to the rapidly changing landscape of patents, began to issue business method patents without an “explicit signal of validity from the Federal Circuit”).

84. Stephen G. Kunin, *Written Description Guidelines and Utility Guidelines*, 82 J. PAT. & TRADEMARK OFF. SOC’Y 77, 100 (2000) (acknowledging that the USPTO, after implementing the new stringent utility standard, expected applicants to challenge its validity in federal court or with the Board of Patent Appeals and Interferences).

85. *In re Fisher*, 421 F.3d 1365, 1372–73 (Fed. Cir. 2005).

A. *The Supreme Court Takes a Harsher Tone with the Federal Circuit*

The Supreme Court may have been invisible for the first twenty or so years of the Federal Circuit. But the Court began to indicate that the sleeping giant was about to awaken.

The earliest tea leaves could be seen in the Court's decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*<sup>86</sup> This case is effectively a "bookend" to *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*,<sup>87</sup> as the Court took *Festo* as a chance to correct the Federal Circuit's misapprehension of *Warner-Jenkinson*.<sup>88</sup> In doing so, the Court was not kind. Whereas the Court in *Warner-Jenkinson* used deferential language in discussing the Federal Circuit's expertise,<sup>89</sup> the Court in *Festo* chastised the Federal Circuit for "ignor[ing] the guidance of *Warner-Jenkinson*."<sup>90</sup> The Court noted that "[t]he responsibility for changing [rules regarding the doctrine of equivalents and prosecution history estoppel] rests with Congress. Fundamental alterations in these rules risk destroying the legitimate expectations of inventors in their property."<sup>91</sup> There was no deference to the Federal Circuit's expertise in this case.

Perhaps the most telling case foreshadowing the Court's reengagement with patent law and the Federal Circuit was *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*<sup>92</sup> The Federal Circuit's decision in the case was of no moment: a non-precedential order sending the case back to the district court to reconsider its judgment in light of the Supreme Court's trade dress functionality decision in *Traffix Devices, Inc. v. Marketing Displays, Inc.*<sup>93</sup> The Court nevertheless took the case to address the Federal Circuit's jurisdiction over appeals where the patent cause of action arose in the

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86. 535 U.S. 722 (2002).

87. 520 U.S. 17 (1997).

88. *Id.* at 41; see also Timothy R. Holbrook, *Explaining the Supreme Court's Interest in Patent Law*, 3 IP THEORY 62, 72 (2012) (describing *Festo* as a "bookend" to the Supreme Court's doctrine of equivalents jurisprudence that started with *Warner-Jenkinson*).

89. See, e.g., *Warner-Jenkinson*, 520 U.S. 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."); *id.* at 40 ("[W]e see no purpose in going further and micromanaging the Federal Circuit's particular word choice for analyzing equivalence. . . . [W]e leave such refinement to that court's sound judgment in this area of its special expertise.").

90. *Festo*, 535 U.S. at 739.

91. *Id.*

92. 535 U.S. 826 (2002).

93. 532 U.S. 23 (2001); *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 13 F. App'x 961 (Fed. Cir. 2001), *vacated*, 535 U.S. 826 (2002).

counterclaim.<sup>94</sup> Rejecting a long-standing Federal Circuit rule, the Supreme Court held that a compulsory counterclaim of patent infringement did not trigger the Federal Circuit's jurisdiction.<sup>95</sup>

Although the majority decision rested solely on its statutory interpretation of the Federal Circuit's "arising under" jurisdiction, Justice Stevens went on to comment on the importance of the Court's decision.<sup>96</sup> His remarks revealed a suspicion of the Federal Circuit as an expert court:

Necessarily, therefore, other circuits will have some role to play in the development of this area of the law. An occasional conflict in decisions may be useful in identifying questions that merit this Court's attention. Moreover, occasional decisions by courts with broader jurisdiction will provide an antidote to the risk that the specialized court may develop an institutional bias.<sup>97</sup>

The Court sent a similar signal, particularly with respect to patent-eligible subject matter, in *Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc.*,<sup>98</sup> in which it dismissed the writ of certiorari as improvidently granted.<sup>99</sup> Three justices dissented, however, in telling fashion. Writing for the three, Justice Breyer concluded that the patent at issue clearly did not constitute eligible subject matter.<sup>100</sup> In particular, Justice Breyer noted an important role for the Supreme Court in patent law: "a decision from this generalist Court could contribute to the important ongoing debate, among both specialists and generalists, as to whether the patent system, as currently administered and enforced, adequately reflects the 'careful balance' that 'the federal patent laws . . . embod[y].'"<sup>101</sup>

The Federal Circuit began to react to such browbeating. In *In re Bilski*,<sup>102</sup> the court took pains to interpret fairly inconsistent Supreme Court precedent<sup>103</sup> regarding subject matter eligibility to divine an

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94. *Holmes*, 535 U.S. at 827.

95. *Id.* at 834.

96. *Id.* at 835 (Stevens, J., concurring).

97. *Id.* at 839.

98. 548 U.S. 124 (2006) (per curiam).

99. *Id.* at 125.

100. *Id.* at 137–38 (Breyer, J., dissenting).

101. *Id.* at 138 (omission and alteration in original) (quoting *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989)).

102. 545 F.3d 943 (Fed. Cir. 2008) (en banc), *aff'd sub nom. Bilski v. Kappos*, 561 U.S. 593 (2010).

103. See Timothy R. Hollbrook & Mark D. Janis, *Patent-Eligible Processes: An Audience Perspective*, 17 VAND. J. ENT. & TECH. L. 349, 380 (2015) ("The [Supreme] Court seems quite reticent to revisit its case law—in any patent context for that matter—to

appropriate test for business method claims.<sup>104</sup> In light of *Laboratory Corp.*, it was clear that the Federal Circuit was attempting to head off Supreme Court review.<sup>105</sup> Of course, such efforts proved futile as the Court granted certiorari in *Bilski*.<sup>106</sup>

The Federal Circuit's intransigence was not yet done, however. After deciding *Bilski*, the Supreme Court granted certiorari in two parallel cases, *Classen Immunotherapies, Inc. v. Biogen IDEC*<sup>107</sup> and *Prometheus Laboratories, Inc. v. Mayo Collaborative Services*,<sup>108</sup> vacated the Federal Circuit's judgment, and remanded the cases for reconsideration (GVR) in light of *Bilski*.<sup>109</sup>

In *Classen*, the invention related to "methods for evaluating and improving the safety of immunization schedules."<sup>110</sup> The district court invalidated the claims for want of patentable subject matter.<sup>111</sup> In a one paragraph decision, the Federal Circuit affirmed the district court's judgment in light of the Federal Circuit's en banc decision in *In re Bilski*.<sup>112</sup> After the Supreme Court GVR'd the case, the Federal Circuit on remand changed its original conclusions, finding that two of the three claims were not invalid under § 101.<sup>113</sup> Of course, a GVR does not mean the Supreme Court necessarily disagreed with the outcome below,<sup>114</sup> but the Supreme Court's decision in *Bilski* made it *easier* to invalidate claims on the basis of § 101. Yet, on remand, the

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evaluate whether its doctrine is consistent. Instead of grappling with the inconsistencies in its own decisions, the Court simply recites facts and holdings from its earlier jurisprudence in the hopes that one can discern consistencies.").

104. *Bilski*, 545 F.3d at 955–56. For criticism of the Federal Circuit's reasoning in *Bilski*, see Lucas S. Osborn, *Instrumentalism at the Federal Circuit*, 56 ST. LOUIS U. L.J. 419, 429–32 (2012) (criticizing the Federal Circuit's interpretations of *Gottschalk v. Benson*, 409 U.S. 63 (1972), as requiring the machine-or-transformation test).

105. *Bilski*, 545 F.3d at 956 (recognizing that the Supreme Court may change or altogether eliminate the "machine-or-transformation" test to accommodate new technologies).

106. *Bilski v. Kappos*, 561 U.S. 593 (2010).

107. No. WDQ-04-2607, 2006 WL 6161856, at \*1 (D. Md. Aug. 16, 2006), *aff'd*, 304 F. App'x 866 (Fed. Cir. 2008), *cert. granted, vacated, and remanded by* 561 U.S. 1040 (2010), *aff'd in part, vacated in part, rev'd in part*, 659 F.3d 1057 (Fed. Cir. 2011).

108. 581 F.3d 1336 (Fed. Cir. 2009), *cert. granted, vacated, and remanded by* 561 U.S. 1040 (2010), *rev'd*, 628 F.3d 1347 (Fed. Cir. 2010), *rev'd*, 566 U.S. 66 (2012).

109. 561 U.S. 1040.

110. *Classen*, 2006 WL 6161856, at \*1.

111. *Id.* at \*6.

112. *Classen*, 304 F. App'x at 867.

113. *Classen*, 659 F.3d at 1059.

114. *See, e.g., Hughes Aircraft Co. v. United States*, 140 F.3d 1470, 1473 (Fed. Cir. 1998) (noting that a GVR order "does not create an implication that the lower court should change its prior determination").

court found previously invalidated claims to not be invalid, which is incongruent with the holding in *Bilski*. Showing further resistance, Judge Rader, joined by Judge Newman, offered additional views on the case, arguing that the Federal Circuit “should decline to accept invitations to restrict subject matter eligibility.”<sup>115</sup> In Judge Rader’s view, patentable subject matter is a “coarse filter” that should not be used extensively.<sup>116</sup> Judge Moore, the author of the original panel decision, dissented, arguing that the case was “not even close.”<sup>117</sup> Thus, the Federal Circuit resisted the guidance of the Supreme Court in *Bilski* under which more patents would be invalid for claiming ineligible subject matter.

The Federal Circuit’s resistance to the Supreme Court became even more apparent in *Prometheus*. The original panel had held that the patented invention—a correlation of metabolite levels in the blood to optimize the dosage of a drug—constituted eligible subject matter.<sup>118</sup> After the GVR, the court stood its ground and held, again, that the patent claimed patentable subject matter under § 101.<sup>119</sup> The Federal Circuit gave short shrift to *Bilski*<sup>120</sup>: much of the language in the decision on remand was verbatim to the earlier decision.<sup>121</sup> Such dismissive treatment of the Supreme Court’s decision in *Bilski* likely did not sit well with the Court, triggering the subsequent substantive review—and rejection—of the Federal Circuit’s judgment in the case.<sup>122</sup>

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115. *Classen*, 659 F.3d at 1074 (Rader and Newman, JJ., additional views). Because two judges joined these additional views, technically it should be part of the majority opinion.

116. *Id.*; see also Holbrook & Janis, *supra* note 103, at 352–53 (discussing the Federal Circuit’s competing conceptions of § 101 as a coarse filter versus “eligibility-as-king”).

117. *Classen*, 659 F.3d at 1078 (Moore, J., dissenting).

118. *Prometheus Labs., Inc. v. Mayo Collaborative Servs.*, 581 F.3d 1336, 1339 (Fed. Cir. 2009), *cert. granted, vacated, and remanded by* 561 U.S. 1040 (2010), *rev’d*, 628 F.3d 1347 (Fed. Cir. 2010), *rev’d*, 566 U.S. 66 (2012).

119. *Prometheus*, 628 F.3d at 1349 (“On remand, we again hold that Prometheus’s asserted method claims are drawn to statutory subject matter, and we again reverse the district court’s grant of summary judgment of invalidity under § 101.”).

120. *Id.* at 1355 (“The Supreme Court’s decision in *Bilski* did not undermine our preemption analysis of Prometheus’s claims and it rejected the machine-or-transformation test only as a definitive test. . . . Thus, the Court did not disavow the machine-or-transformation test. And, as applied to the present claims, the ‘useful and important clue, an investigative tool,’ leads to a clear and compelling conclusion, [namely], that the present claims pass muster under § 101.”).

121. *Compare id.* at 1356–57, *with Prometheus*, 581 F.3d at 1346–47.

122. Holbrook, *supra* note 88, at 73–74.

The *Prometheus* pattern between the Federal Circuit and the Supreme Court repeated itself in the *Myriad* string of cases.<sup>123</sup> The Federal Circuit initially held that claims covering breast cancer-related genes were patentable subject matter.<sup>124</sup> The Supreme Court GVR'd the case in light of *Prometheus*.<sup>125</sup> On remand, the Federal Circuit again found the claims patent eligible, marginalizing the importance of the Supreme Court's decision in *Prometheus*.<sup>126</sup> And, again, the Supreme Court granted review.<sup>127</sup> The Court held that the claims to isolated DNA were ineligible but those to complementary DNA were eligible<sup>128</sup>—the only time the Supreme Court has found a claim to cover eligible subject matter in its recent line of § 101 cases.

The import of these decisions began to sink in, apparently, with some of the Federal Circuit judges. The court's fractured en banc decision in *Alice Corp.* shows, to some extent, a shift at the court and a willingness to defer to the Supreme Court's pronouncements on § 101.<sup>129</sup> Of course, it also shows the lack of guidance in the Supreme Court's precedent.<sup>130</sup> The Supreme Court's decision to review the case, however, appears to be because of the fracture at the Federal Circuit and not a failure of the court to appreciate the earlier Supreme Court decisions. Of course, there is a bit of irony in the Supreme Court chastising the Federal Circuit for disrupting the settled expectations of the innovation community when the Court's

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123. *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 653 F.3d 1329, 1334 (Fed. Cir. 2011), *vacated sub nom.* *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 132 S. Ct. 1794 (2012); *see also* Holbrook, *supra* note 88, at 73.

124. *Ass'n for Molecular Pathology*, 653 F.3d at 1334.

125. *Myriad Genetics*, 132 S. Ct. 1794.

126. *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303, 1325 (Fed. Cir. 2012) (holding that the Supreme Court decision in *Mayo* did not control the issue at hand), *aff'd in part, rev'd in part sub nom.* *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013); *id.* at 1326 (noting that *Mayo* provided insight and outlined the broad principles at issue but holding that *Chakrabarty* and *Funk Brothers* were the more directly applicable precedents).

127. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 694, 695 (2012).

128. *Myriad*, 133 S. Ct. at 2111.

129. *CLS Bank Int'l v. Alice Corp. Pty.*, 717 F.3d 1269, 1273 (Fed. Cir. 2013) (en banc), *aff'd*, 134 S. Ct. 2347 (2014).

130. Tim Holbrook, *Is the Supreme Court About to Rule that Software Is Ineligible for Patent Protection?*, FORBES (Mar. 16, 2014, 11:44 AM), <http://www.forbes.com/sites/realspin/2014/03/16/is-the-supreme-court-about-to-rule-that-software-is-ineligible-for-patent-protection>.

rulings themselves utterly reshaped the legal landscape in terms of patent-eligible subject matter.<sup>131</sup>

*B. In Part Due to the Supreme Court and Congress, the Gravitational Pull of the Patent System Shifts Towards the USPTO*

The Federal Circuit's dynamic with the USPTO also began to change during this period. Some of this change may have been in response to the Supreme Court's reengagement with patent law, bringing the Court's administrative eye to patent law. In particular, the Court agreed with the USPTO that the APA applied to its fact-finding.<sup>132</sup> After *Dickinson v. Zurko*,<sup>133</sup> it was clear the USPTO was to be treated the same as other administrative agencies.

This shift in viewing the USPTO akin to other agencies began to take hold at the Federal Circuit. The Federal Circuit was poised to micromanage procedural aspects of the USPTO, although it mainly deferred to what the USPTO had done.<sup>134</sup> After growing criticism that patent applicants could file limitless numbers of continuation applications,<sup>135</sup> the USPTO promulgated rules to limit the number of such filings as well as the number of claims in an application.<sup>136</sup> A number of parties challenged the rules, and the district court hearing the challenge agreed that the USPTO had exceeded its rulemaking authority.<sup>137</sup>

The Federal Circuit partly agreed with the district court. The expert court confirmed that the USPTO has no substantive

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131. See Timothy B. Dyk, *Thoughts on the Relationship Between the Supreme Court and the Federal Circuit*, 16 CHL-KENT J. INTELL. PROP. 67, 74 (2016) (noting that before the Supreme Court cases, "challenges to patentability based on 35 U.S.C. § 101 were rare," but such challenges "now consume a significant portion of [the Federal Circuit's] docket").

132. *Dickinson v. Zurko*, 527 U.S. 150, 165 (1999).

133. 527 U.S. 150 (1999).

134. William G. Jenks, *I Lost at the USPTO, What Are My Chances on Appeal?*, LANDSLIDE, Jan.-Feb. 2017, at 26, 27.

135. See generally Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. REV. 63 (2004) (explaining that the patent system allowed unlimited attempts to persuade a patent examiner to approve an application).

136. Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, 72 Fed. Reg. 46,716 (Aug. 21, 2007).

137. *Tafas v. Dudas*, 541 F. Supp. 2d 805, 817 (E.D. Va. 2008) (holding that "the USPTO's rulemaking authority . . . does not extend to substantive rules," so the substantive rules at issue were void), *aff'd in part and vacated in part sub nom.* *Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009), *vacated*, 328 F. App'x 658 (Fed. Cir. 2009) (en banc) (per curiam).

rulemaking authority.<sup>138</sup> The court also agreed that the USPTO is entitled to *Chevron* deference when it promulgates procedural rules.<sup>139</sup> The Federal Circuit, unlike the district court, concluded that the rules at issue were procedural.<sup>140</sup> The court ultimately ruled that all but one of the rules was a legitimate exercise of USPTO authority.<sup>141</sup> The Federal Circuit, therefore, initially demurred to a radical departure in USPTO practice. The court subsequently took the case en banc,<sup>142</sup> but it never reached a decision. When there was a change in the presidential administration, the USPTO withdrew the new rules, mooting the case.<sup>143</sup> It is hard to predict what the en banc court would have done, perhaps invalidating all of the rules in a manner akin to the court's earlier history. The panel decision, however, demonstrated a willingness to defer to the USPTO in ways that seem different from the court's earlier era.

The shift in the Federal Circuit's relationship with the USPTO took a hard turn in 2011 when Congress adopted the AIA. The AIA created a variety of post-issuance review proceedings.<sup>144</sup> The most important of these is the inter partes review (IPR).<sup>145</sup> These proceedings created alternatives to the district courts to allow parties to challenge the validity of patents.<sup>146</sup> These proceedings have proven to be exceedingly popular, and appeals from the USPTO have begun to dominate the Federal Circuit's docket.<sup>147</sup> It is not surprising, therefore, that the relationship between the Federal Circuit and the USPTO has changed.

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138. *Tafas*, 559 F.3d at 1352–53.

139. *Id.* at 1354.

140. *Id.* at 1356.

141. *Id.* at 1349.

142. *Tafas*, 328 F. App'x 658.

143. Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, 74 Fed. Reg. 52,686 (Oct. 14, 2009).

144. Pub. L. No. 112-29, 125 Stat. 284, 299 (2011).

145. IPR is a proceeding to determine patentability on a ground that could be raised under sections 102 or 103. *Inter Partes Review*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/inter-partes-review> (last updated Jan. 29, 2016).

146. See Pub. L. No. 112-29, 125 Stat. 284, 301 (allowing for inter partes review to challenge a patent only if the petitioner has not yet filed a civil claim).

147. Jason Rantanen, *Data on Federal Circuit Appeals and Decisions*, PATENTLY-O (June 2, 2016), <http://patentlyo.com/patent/2016/06/circuit-appeals-decisions.html>.

### III. THE MODERN ERA: ACQUIESCENCE TO THE SUPREME COURT AND TO USPTO ADMINISTRATIVE DECISIONS

In the last few years, these dynamics have shifted noticeably. The Supreme Court has reengaged significantly in patent law, reviewing over forty patent cases (depending on what counts as a “patent” case) since 2000.<sup>148</sup> These cases now deal with core patent law issues.<sup>149</sup> The Court has reworked the law of induced infringement,<sup>150</sup> given deference to fact-finding in claim construction,<sup>151</sup> and made it easier to shift attorney fees<sup>152</sup> and demonstrate willful infringement.<sup>153</sup> Indeed, causing more psychodrama than perhaps any other area is the tetralogy of cases dealing with patentable subject matter that effected a seismic shift in the law.<sup>154</sup>

There has been a similar sea change at the USPTO. With the passage of the AIA, the USPTO has become a popular venue for challenging patents through the various post-issuance proceedings, particularly IPRs.<sup>155</sup> Appeals from IPRs have come to dominate the Federal Circuit’s docket.

The Federal Circuit’s response to both of these changes has been somewhat surprising: acquiescence. The Federal Circuit generally has taken the Supreme Court’s decisions to heart and is attempting

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148. See Timothy R. Holbrook, *Is the Supreme Court Concerned with Patent Law, the Federal Circuit, or Both: A Response to Judge Timothy B. Dyk*, 16 CHI.-KENT J. INTELL. PROP. (forthcoming 2017).

149. See Timothy R. Holbrook, *The Return of the Supreme Court to Patent Law*, 1 AKRON INTELL. PROP. J. 1, 1–2 (2007) (explaining the Court’s shift from addressing issues on the periphery of patent law to cases that go to the heart of patent issues).

150. See *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930–31 (2015); *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 766 (2011). See generally Timothy R. Holbrook, *The Supreme Court’s Quiet Revolution in Induced Patent Infringement*, 91 NOTRE DAME L. REV. 1007, 1010–25 (2016) (discussing four Supreme Court cases impacting doctrine of inducing infringement).

151. See *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 843 (2015).

152. See *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1752–53 (2014).

153. See *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1928 (2016).

154. *Alice Corp. Pty. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014); *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66 (2012); *Bilski v. Kappos*, 561 U.S. 593 (2010).

155. Rich Steeves, *Inter Partes Review Gains in Popularity*, INSIDE COUNSEL (Mar. 13, 2015), <http://www.insidecounsel.com/2015/03/13/inter-partes-review-gains-in-popularity>.

to follow them, even if the Federal Circuit judges happen to disagree with the Court.<sup>156</sup>

A. *The Federal Circuit Falls in Line (Even at Times when Patent Practitioners Wanted Them to Push Back)*

The Supreme Court's deluge of cases has rejected many of the bright-line rules created by the Federal Circuit.<sup>157</sup> The Court rejected the absolute bar rule for prosecution history estoppel;<sup>158</sup> the nearly per se grant of permanent injunctions after a finding of infringement;<sup>159</sup> the "reasonable apprehension of suit" test for declaratory judgment jurisdiction;<sup>160</sup> and the court's formalistic application of the teaching, suggestion, or motivation (TSM) test to combine prior art references to conclude a claimed invention is non-obvious, such that an invention can be obvious if it is obvious to try.<sup>161</sup> More recent decisions have thrown out the Federal Circuit's formalistic rules for fee-shifting and enhanced damages, along with the attending de novo review standards that aggrandized the Federal Circuit's power.<sup>162</sup>

The Federal Circuit generally has followed these shifts in the law. It has found the *Festo* presumption of complete surrender of equivalents to be rebutted in a few cases.<sup>163</sup> It has permitted far more denials of permanent injunctions than in the past.<sup>164</sup> The court has even reversed

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156. See, e.g., *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015); *CLS Bank Int'l v. Alice Corp. Pty.*, 717 F.3d 1269, 1273 (Fed. Cir. 2013) (en banc), *aff'd*, 134 S. Ct. 2347 (2014).

157. See Dyk, *supra* note 131, at 80–81; Holbrook, *supra* note 88, at 76–77. For a thorough discussion and evaluation of the relationship between the Federal Circuit and the Supreme Court as to formalistic rules, see generally David O. Taylor, *Formalism and Antiformalism in Patent Law Adjudication: Precedent and Policy*, 66 SMU L. REV. 633 (2013).

158. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 737 (2002).

159. *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 393–94 (2006).

160. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 n.11 (2007).

161. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 419 (2007).

162. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1928 (2016); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1755 (2014); *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1746–47 (2014).

163. *Primos, Inc. v. Hunter's Specialties, Inc.*, 451 F.3d 841, 849 (Fed. Cir. 2006); *Insituform Techs., Inc. v. CAT Contracting, Inc.*, 385 F.3d 1360, 1368 (Fed. Cir. 2004). Conspicuously, the Federal Circuit has never found the *Festo* presumption rebutted on the basis of unforeseeability.

164. Christopher B. Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, 101 IOWA L. REV. 1949, 1982–83 (2016).

the grant of a permanent injunction.<sup>165</sup> The Federal Circuit also expressly rejected its “reasonable apprehension of suit” test for declaratory judgment jurisdiction, instead now using a more holistic, contextual analysis.<sup>166</sup> Perhaps most tellingly, the Federal Circuit has stepped back from its use of the TSM test and has embraced the “obvious to try” methodology of *KSR International Co. v. Teleflex, Inc.*<sup>167</sup>

The court appears to have acquiesced in the chaos flowing from the Supreme Court’s jurisprudence on eligible subject matter. In cases involving § 101 challenges, the court now readily affirms the district courts’ judgments of invalidity.<sup>168</sup> Indeed, it is the vast minority of cases where the court finds the claimed invention to constitute eligible subject matter when the issue is raised.<sup>169</sup> Many observers hoped the Federal Circuit would push back against the Supreme Court’s decisions.<sup>170</sup> The particular vehicle for this hope

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165. *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1380–81 (Fed. Cir. 2008). *But see* Ryan T. Holte & Christopher B. Seaman, *Patent Injunctions on Appeal: An Empirical Study of the Federal Circuit’s Application of eBay*, 92 WASH. L. REV. 145, 149 (2017) (noting that the Federal Circuit affirms grants of permanent injunctions at a significantly higher rate than it affirms denials).

166. *Sony Elecs., Inc. v. Guardian Media Techs., Ltd.*, 497 F.3d 1271, 1283–84 (Fed. Cir. 2007); *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380–81 (Fed. Cir. 2007).

167. 550 U.S. 398 (2007); *see* *Perfect Web Techs., Inc. v. InfoUSA, Inc.*, 587 F.3d 1324, 1331 (Fed. Cir. 2009); *In re Kubin*, 561 F.3d 1351, 1358 (Fed. Cir. 2009) (“Insofar as *Deuel* implies the obviousness inquiry cannot consider that the combination of the claim’s constituent elements was ‘obvious to try,’ the Supreme Court in *KSR* unambiguously discredited that holding.”).

168. Jason Rantanen, *Section 101—Pivotal Moment for Clarity on Patent Subject Matter Eligibility*, PATENTLY-O (Apr. 21, 2016), <http://patentlyo.com/patent/2016/04/section-subject-eligibility.html>; David Scannell et al., *A Chilly Reception for Section 101 Challenges at the ITC*, MORRISON & FOERSTER LLP: MOFO @ ITC (Sept. 28, 2015), <http://mofoatitc.mofo.com/alj-decisions/a-chilly-reception-for-section-101-challenge-s-at-the-itc>.

169. Rantanen, *supra* note 168 (noting that seventy percent of cases result in invalidity).

170. *See, e.g., id.* (asserting that the Federal Circuit must delineate the “proper scope and application of [s]ection 101” so that the United States can maintain “its competitive edge” in the biotech and software industries); The Biotechnology Industry Organization (BIO) and Pharmaceutical Research and Manufacturers of America (PhRMA) as Amici Curiae Supporting Appellants and in Favor of En Banc Reconsideration (Nos. 2014-1139, 2014-1144), *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 809 F.3d 1282 (Fed. Cir. 2015); Michael A. Sanzo, *The Patenting of Gene Based Diagnostic Assays in a Post Mayo and Myriad World*, 16 J. MARSHALL REV. INTELL. PROP. L. 1, 16 (2016) (“To the extent that people in the patent community may have maintained any lingering hope for something similar after the decision discussed above, this hope was badly damaged by the Federal Circuit’s decision in *Ariosa v.*

was the case *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*<sup>171</sup> The invention related to the discovery of cell-free fetal DNA (“cffDNA”) in maternal plasma and serum, which can be used to diagnose various genetic abnormalities in a fetus.<sup>172</sup> The use of cffDNA revolutionized obstetrics, permitting diagnosis without the use of higher-risk, intrusive amniocentesis.<sup>173</sup> If any case seemed appropriate to offer resistance to the Supreme Court, this case appeared to be the one.

Yet the Federal Circuit held that the claims covering this revolutionary technology were not patent-eligible subject matter.<sup>174</sup> In a surprising level of transparency, a number of the judges expressly noted that they believed the invention to be patent-eligible but were nonetheless bound by the Supreme Court’s recent decisions.<sup>175</sup> The judges went as far as to offer critiques of the Supreme Court’s decisions, yet they continued to adhere to those decisions.<sup>176</sup>

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*Sequenom.*”); Christopher Holman, *Federal Circuit Decides Ariosa, and It’s Not Good News for Innovation in the Life Sciences*, HOLMAN’S BIOTECH IP BLOG (June 12, 2015), <http://holmansbiotechblog.blogspot.com/2015/06/federal-circuit-decides-ariosa-and-its.html>.

171. 788 F.3d 1371, 1373 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 2511 (2016).

172. *Id.* at 1373–74.

173. Philip Merksamer, *Ariosa Diagnostics v. Sequenom: Metastasis of Mayo and Myriad and the Evisceration of Patent Eligibility for Molecular Diagnostics*, 31 BERKELEY TECH. L.J. 495, 495 (2016).

174. *Ariosa*, 788 F.3d at 1373.

175. *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 809 F.3d 1282, 1287 (Fed. Cir. 2015) (Lourie, J., concurring in denial of rehearing en banc) (“In sum, it is unsound to have a rule that takes inventions of this nature out of the realm of patent-eligibility on grounds that they only claim a natural phenomenon plus conventional steps, or that they claim abstract concepts. But I agree that the panel did not err in its conclusion that under Supreme Court precedent it had no option other than to affirm the district court.”); *id.* at 1287 (Dyk, J., concurring in denial of rehearing en banc) (“Yet I share the concerns of some of my colleagues that a too restrictive test for patent eligibility . . . may discourage development and disclosure of new diagnostic and therapeutic methods in the life sciences . . . . This leads me to think that some further illumination as to the scope of *Mayo* would be beneficial in one limited aspect. At the same time I think that we are bound by the language of *Mayo*, and any further guidance must come from the Supreme Court, not this court.”); *Ariosa*, 788 F.3d at 1380 (Linn, J., concurring) (“I join the court’s opinion . . . only because I am bound by the sweeping language of the test set out in [*Mayo*] . . . . This case represents the consequence—perhaps unintended—of that broad language in excluding a meritorious invention from the patent protection it deserves and should have been entitled to retain.”).

176. *Ariosa*, 809 F.3d at 1286 (Lourie, J., concurring in denial of rehearing en banc) (“But against the accusation that such a claim to the invention might be considered mere draftsmanship and thus still ineligible under the seemingly expansive holding of *Mayo*, it must be said that a process, composition of matter,

The modern Federal Circuit, therefore, appears to have acquiesced to the deluge of Supreme Court review. It generally has embraced the changes in the law with less resistance than one might expect from an expert court.

*B. Federal Circuit Defers to USPTO in IPR Proceedings*

The Federal Circuit's acquiescence to the Supreme Court parallels its new-found deference to the USPTO. IPRs and post-grant reviews have proven to be quite popular, with large numbers of petitions—particularly IPRs—filed.<sup>177</sup> These filings have resulted in an explosion in the number of appeals to the Federal Circuit from the USPTO.<sup>178</sup> These new proceedings have the potential to fundamentally rework the relationships among the USPTO, the district courts, and the Federal Circuit.<sup>179</sup> The Federal Circuit already appears to be deferring readily to decisions by the Patent Trial and Appeal Board (PTAB),<sup>180</sup> though this deference could be in part due to a self-interest in avoiding drowning in the deluge of appeals.

Interestingly, however, the Federal Circuit has also hamstrung its own ability to review various aspects of PTAB decisions. In *In re*

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article of manufacture, and machine are different implementations of ideas, and differentiating among them in claim drafting is a laudable professional skill, not necessarily a devious device for avoiding prohibitions.”); *id.* at 1289–90 (Dyk, J., concurring in denial of rehearing en banc) (“I worry that method claims that apply newly discovered natural laws and phenomena in somewhat conventional ways are screened out by the *Mayo* test. In this regard I think that *Mayo* may not be entirely consistent with the Supreme Court’s decision in *Myriad*.”).

177. See Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 66 (2016) (revealing that the number of petitions for IPR filed per month has risen from 20 when the IPR procedure became available to approximately 140).

178. Jason Rantanen, *Federal Circuit Now Receiving More Appeals Arising from the PTO than the District Courts*, PATENTLY-O (Mar. 2, 2016), <http://patentlyo.com/patent/2016/03/receiving-appeals-district.html>.

179. See Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for Its Money: Challenging Patents in the PTAB*, 91 NOTRE DAME L. REV. 235, 240 (2015).

180. Christopher A. Suarez, *Navigating Inter Partes Review in the Federal Circuit: A Statistical Review*, LANDSLIDE, Jan.–Feb. 2017, at 49, 50 (finding that the Federal Circuit affirmed the PTAB in IPRs eighty-two percent of the time; sixty-one percent of Federal Circuit’s IPR decisions are summary affirmances under Rule 36); Matt Cutler, *Federal Circuit Broadly Affirms PTAB’s Determinations on Analogous Art, Motivation to Combine References, and Obviousness of Claims*, IPR-PGR.COM (Nov. 29, 2016), <http://ipr-pgr.com/federal-circuit-broadly-affirms-ptabs-determinations-on-analogous-art-motivation-to-combine-references-and-obviousness-of-claims>.

*Cuozzo Speeding Technologies, LLC*,<sup>181</sup> the Federal Circuit confronted, inter alia, two issues that related to the relationship between the USPTO and the court.<sup>182</sup> The first was whether the Federal Circuit could review the PTAB's decision to institute an IPR after the PTAB had reached a final decision.<sup>183</sup> The second was whether the PTAB was appropriately using the "broadest reasonable interpretation" (BRI) standard for claim construction, which is used by USPTO patent examiners during the prosecution of a patent application,<sup>184</sup> instead of the standard used in district court litigation.<sup>185</sup>

The Federal Circuit agreed with the USPTO on both issues. As to the court's ability to review the PTAB's decision to institute an IPR, the Federal Circuit provided a strong prohibition on such review.<sup>186</sup> The court looked to the language of 35 U.S.C. § 314(d), which notes that the decision whether to institute review is "final and nonappealable."<sup>187</sup> The court viewed this as a complete prohibition on the ability of the court to review the PTAB's decision to institute review, even if there may be some flaws in that analysis or questions about the USPTO's authority.<sup>188</sup> In those scenarios, a petition for mandamus may be a means of review, but review as a matter of right is not available.<sup>189</sup>

As to the claim construction standard, the court held that Congress had implicitly adopted the BRI standard.<sup>190</sup> The court reasoned that "[t]here is no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years."<sup>191</sup> As such, "[i]t can therefore be inferred that Congress impliedly approved the existing rule of adopting the broadest reasonable construction."<sup>192</sup> The court rejected the argument that the limited ability to amend the claims in an IPR justified departure

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181. 793 F.3d 1268 (Fed. Cir. 2015), *aff'd sub nom.* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016).

182. *Cuozzo*, 793 F.3d at 1273, 1275.

183. *Id.* at 1272–73.

184. MANUAL OF PATENT EXAMINING PROCEDURE § 2111 (9th ed. Rev. 7, Nov. 2015).

185. *Cuozzo*, 793 F.3d at 1275.

186. *Id.* at 1273.

187. *Id.*; 35 U.S.C. § 314(d) (2012).

188. *Cuozzo*, 793 F.3d at 1274 ("Cuozzo argues that Congress would not have intended to allow the PTO to institute IPR in direct contravention of the statute . . .").

189. *Id.* (explaining that a petitioner must show a "clear and indisputable right" or "irremediable interim harm" to pursue mandamus).

190. *Id.* at 1278.

191. *Id.* at 1276–77.

192. *Id.*

from the BRI standard, which had been justified on the ability of an applicant to routinely amend her claims to avoid a patentability problem during prosecution.<sup>193</sup> Additionally, even if Congress did not implicitly embrace the BRI standard, the court concluded it was a reasonable exercise of USPTO rulemaking authority.<sup>194</sup>

Both of these holdings show deference to the USPTO. The first limits the ability of the Federal Circuit to second-guess the PTAB's decisions. The second, although initially couched in terms of congressional intent, also demonstrates a willingness to defer to USPTO rulemaking. In some regards, this deference represents an erosion of the "procedural v. substantive" rulemaking line. Indeed, it is not entirely clear whether the claim construction standard should be viewed as substantive or procedural.<sup>195</sup>

The Supreme Court did review *Cuozzo*, and it ultimately agreed with the Federal Circuit on both issues.<sup>196</sup> Its reasoning, however, differed in many regards from that of the Federal Circuit's decision. Indeed, the Supreme Court decision reads far more like an administrative law decision than a patent law one.<sup>197</sup> The Court's reasoning as to the reviewability issue differed from that of the Federal Circuit, and it appears to have opened the door to review of some initiation decisions, such as those raising constitutional issues or an abuse of authority by the USPTO.<sup>198</sup> As to the BRI claim construction standard, the Court did not find an implicit adoption of that standard by Congress; instead, it performed a traditional *Chevron* analysis, concluding that the regulations adopting the BRI standard properly filled a "gap" in the statutory framework.<sup>199</sup>

The Federal Circuit seemingly has turned a new page in its relationship with the USPTO. It is now, after some reminding by the

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193. *Id.* at 1277–78.

194. *Id.* at 1278–79.

195. See Timothy R. Holbrook, *The Patent Trial and Appeal Board's Evolving Impact on Claim Construction*, 24 TEX. INTELL. PROP. L.J. 301, 319 (2016).

196. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2136 (2016).

197. See Holbrook, *supra* note 195, at 20–23.

198. *Cuozzo*, 136 S. Ct. at 2141 ("This means that we need not, and do not, decide the precise effect of § 314(d) on appeals that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond 'this section.'"); see also *Husky Injection Molding Sys. Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1243 (Fed. Cir. 2016).

199. *Cuozzo*, 136 S. Ct. at 2142 ("The statute contains such a gap: No statutory provision unambiguously directs the agency to use one standard or the other."); see also *id.* at 2144–45.

Supreme Court, that the USPTO is an administrative agency, and review of its rules and decisions should be treated accordingly.<sup>200</sup> The Federal Circuit has begun to afford the USPTO deference in this regard.

CONCLUSION—WILL THE FEDERAL CIRCUIT CONTINUE TO ACQUIESCE  
IN *AQUA* AND *WI-FI ONE*?

The above analysis suggests that there has been a shift at the Federal Circuit with respect to its relationships with the Supreme Court and the USPTO. Early in its existence—and with some justification—the Federal Circuit made itself the center of patent law. In more recent years, however, it has allowed the responsibility for the development of patent law to diffuse to both the Supreme Court and the USPTO.

Of course, the image portrayed in this Essay is a bit of a caricature. First, any shift in the perspective of the Federal Circuit has evolved over time, so the demarcations above are somewhat arbitrary. Second, there are examples of where the Federal Circuit may yet be obstinate in the face of Supreme Court precedent. For example, in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*,<sup>201</sup> the Supreme Court rejected the Federal Circuit's twenty-year-old de novo standard of review for claim construction.<sup>202</sup> The Court concluded that there are facts incident to claim construction such that, when present, the Federal Circuit should review the district court's fact-finding for clear error.<sup>203</sup> Instead of ushering in a dramatic change in patent litigation, *Teva* has proven to be a non-moment.<sup>204</sup> In order to avoid deference, the Federal Circuit generally viewed the intrinsic evidence—the claims, specification, and prosecution history—as unambiguous,<sup>205</sup> review of

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200. *Accord* Rai, *supra* note 46, at 201 (calling for treatment of the USPTO as an administrative agency).

201. 135 S. Ct. 831 (2015).

202. *Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272, 1276 (Fed. Cir. 2014) (en banc) (confirming de novo review of claim construction), *abrogated by Teva Pharm.*, 135 S. Ct. 831, 836; *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1451 (Fed. Cir. 1998) (en banc) (confirming de novo review established in *Markman*), *abrogated by Teva Pharm., Inc.*, 135 S. Ct. 831, 836; *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (en banc) (holding that claim construction is reviewed de novo), *aff'd*, 517 U.S. 370 (1996).

203. *Teva Pharm.*, 135 S. Ct. at 838.

204. *See* Jason Rantanen, *Teva, Nautilus, and Change Without Change*, 18 STAN. TECH. L. REV. 430, 448 (2015) (explaining how the Federal Circuit has “managed to marginalize *Teva v. Sandoz*”).

205. *Id.*; *see also* Dennis Crouch, *Giving Deference to the Supreme Court in Teva v. Sandoz*, PATENTLY-O (Jan. 21, 2015), <http://patentlyo.com/patent/2015/01/deferen>

which is performed *de novo* even under *Teva*.<sup>206</sup> As such, the Federal Circuit has worked to undermine the holding in *Teva*.

Similarly, the Federal Circuit appears to be grafting a brighter rule onto its permanent injunction analysis. The Supreme Court in *eBay Inc. v. MercExchange, L.L.C.*<sup>207</sup> faulted both the district court and the Federal Circuit for using a categorical analysis in determining the appropriateness of a permanent injunction.<sup>208</sup> In recent cases, however, the Federal Circuit has articulated a requirement for a “causal nexus” between the acts of infringement and the irreparable harm to the patent holder.<sup>209</sup> Some commentators view this as the emergence of another categorical requirement, in contravention of *eBay*.<sup>210</sup> Additionally, a recent study shows that the Federal Circuit is far more likely to reverse a denial of a permanent injunction than a grant, suggesting that the court is not deferring to district courts and is applying the *eBay* standard in a pro-patent way.<sup>211</sup> This difference arises even though the standard of review is abuse of discretion.<sup>212</sup>

That said, perhaps such reversals are not surprising given the court’s expertise. Indeed, in an apparent thaw at the Supreme Court, Justice Breyer suggested that the Federal Circuit’s expertise could inform discretionary review in a different context. After years of generally criticizing the Federal Circuit’s doctrine,<sup>213</sup> Justice Breyer’s

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ce-supreme-sandoz.html (“The Federal Circuit will continue to use the *Phillips* hierarchy, turning to extrinsic evidence only when the intrinsic evidence is ambiguous. I think, in the main, the Federal Circuit will view the intrinsic evidence as determinative, retaining *de novo* review in the vast majority of cases.” (quoting Timothy R. Holbrook)).

206. *Teva Pharm.*, 135 S. Ct. at 841 (“As all parties agree, when the district court reviews only evidence intrinsic to the patent (the patent claims and specifications, along with the patent’s prosecution history), the judge’s determination will amount solely to a determination of law, and the Court of Appeals will review that construction *de novo*.”).

207. 547 U.S. 388 (2006).

208. *Id.* at 393.

209. *Apple Inc. v. Samsung Elecs. Co.*, 735 F.3d 1352, 1360 (Fed. Cir. 2013). See generally Bernard Chao, *Causation and Harm in a Multicomponent World*, 164 U. PA. L. REV. ONLINE 61 (2016) (discussing the causation requirement and the Federal Circuit’s arguable watering down of the requirement).

210. David H. Dolkas & Rita J. Yoon, *Supreme Court’s eBay Decision on Patent Injunctions—Time for a Comeback?*, BLOOMBERG BNA (Apr. 1, 2015), <https://www.bna.com/supreme-courts-ebay-n17179924841>.

211. *Holte & Seaman*, *supra* note 165, at 46–48.

212. *Id.* at 46–47.

213. See, e.g., *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 (2014) (“The Federal Circuit’s analysis fundamentally misunderstands what it means to infringe a method patent.”).

concurrence in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*<sup>214</sup> gestures to the Federal Circuit's expertise, the first such reference since *Warner-Jenkinson* nineteen years earlier: "The Court holds that awards of enhanced damages should be reviewed for an abuse of discretion. I agree. But I also believe that, in applying that standard, the Federal Circuit may take advantage of its own experience and expertise in patent law."<sup>215</sup> There may be a thawing on the part of the Supreme Court with respect to its views of the Federal Circuit.

The acts of the Supreme Court are outside the control of the Federal Circuit. But the Federal Circuit does control its relationship with the USPTO. Although it seems the court has entered an era of deference to the USPTO, two pending en banc cases could portend a change in that dynamic. The era of Federal Circuit acquiescence, at least with respect to the USPTO, may be coming to a close.<sup>216</sup>

The Federal Circuit recently heard argument en banc in *In re Aqua Products, Inc.*<sup>217</sup> The case involved the ability of patent holders in IPRs to amend their claims.<sup>218</sup> The USPTO has been stingy in allowing such amendments.<sup>219</sup> The Federal Circuit initially deferred to the rules promulgated by the USPTO.<sup>220</sup> The court is now questioning those rules and seems poised to reject them.<sup>221</sup>

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214. 136 S. Ct. 1923 (2016).

215. *Id.* at 1938 (Breyer, J., concurring) (citation omitted).

216. Hence, the "(?)" in this Essay's title.

217. 833 F.3d 1335 (Fed. Cir. 2016) (en banc) (per curiam) (argument on Dec. 9, 2016).

218. *Id.* at 1336.

219. See *In Rare Move, PTAB Grants Motion to Amend in IPR Proceeding*, NAT'L L. REV. (May 3, 2016), <http://www.natlawreview.com/article/rare-move-ptab-grants-motion-to-amend-ipr-proceeding> (explaining that while 37 C.F.R. § 42.121 permits claim amendments, it allows courts to deny motions to amend where "the amendment does not respond to a ground of unpatentability involved in the trial, or if the amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter").

220. *Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1333–34 (Fed. Cir. 2016); *Prolitec, Inc. v. ScentAir Techs., Inc.*, 807 F.3d 1353, 1363 (Fed. Cir. 2015). But see *Veritas Techs. LLC v. Veeam Software Corp.*, 835 F.3d 1406, 1415 (Fed. Cir. 2016) (finding PTAB abused its discretion in refusing amendment).

221. The en banc order requested briefing on two particular issues:

(a) When the patent owner moves to amend its claims under 35 U.S.C. § 316(d), may the PTO require the patent owner to bear the burden of persuasion, or a burden of production, regarding patentability of the amended claims as a condition of allowing them? Which burdens are permitted under 35 U.S.C. § 316(e)?

(b) When the petitioner does not challenge the patentability of a proposed amended claim, or the Board thinks the challenge is inadequate, may the Board sua sponte raise patentability challenges to such a claim? If so, where would the burden of persuasion, or a burden of production, lie?

The court is also rehearing en banc *Wi-Fi One, LLC v. Broadcom Corp.*<sup>222</sup> and will address whether the court has the power to review the USPTO's determinations of timeliness in IPR proceedings.<sup>223</sup>

If the court does reject the USPTO's amendment rules or empowers itself to review issues of timeliness, these decisions will be the court's first significant interventions with the USPTO's regulations post-AIA, demonstrating that the Federal Circuit may be ready to challenge the USPTO's dominance in this area. Such interventions likely will trigger Supreme Court review. As such, the relationships among the Supreme Court, the Federal Circuit, and the USPTO are likely to continue to evolve.

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*Aqua Prods.*, 833 F.3d at 1336.

222. 837 F.3d 1329 (Fed. Cir. 2016), *vacated by, and rehearing en banc granted*, Nos. 2015-1944, 2015-1945, 2015-1946, 2017 WL 957224, at \*1 (Fed. Cir. Jan. 4, 2017).

223. The specific question presented is,

Should this court overrule *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015) and hold that judicial review is available for a patent owner to challenge the PTO's determination that the petitioner satisfied the timeliness requirement of 35 U.S.C. § 315(b) governing the filing of petitions for inter partes review?

*Wi-Fi One*, 2017 WL 957224, at \*1.