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*United States Court of Appeals for the Federal Circuit*

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## Dissent at the Federal Circuit and Supreme Court Review

# DISSENTS AT THE FEDERAL CIRCUIT AND SUPREME COURT REVIEW

THE HONORABLE HELEN WILSON NIES\*

Congress created the Federal Circuit and established this court in 1982 in response to the need for uniformity in certain important areas of the law, including patent law. However, in enacting our primary jurisdiction-granting statute,<sup>1</sup> Congress made clear that it was not creating a “specialized court,” and it specified widely divergent areas of law or tribunals over which we exercise exclusive appellate jurisdiction. Although our subject matter jurisdiction is more limited than that of other circuits, our geographic jurisdiction is unbounded and spans the entire nation to effect the goal of uniformity.

Because of this jurisdictional scheme, the Federal Circuit is unique among the thirteen federal courts of appeals. Due to overlapping areas of jurisdiction, our sister circuit courts may develop differing views on the law. These “intercircuit conflicts” are a frequent trigger for Supreme Court review. When the Supreme Court grants certiorari to resolve an intercircuit conflict, the Court has the benefit of a thoughtful discourse on the conflict in majority opinions. In the areas in which this court exercises exclusive jurisdiction, this traditional type of intercircuit debate cannot arise. Thus, the presentation of a conflict in judicial positions on a particular issue of law within our exclusive jurisdiction can develop only through a dissent from a member of our court.

It has been suggested that the court should speak with “one voice” and that dissents are a disservice to the court because they erode the court’s uniform position. I disagree. Under the operating procedures of our court, a later panel is bound to follow the law as set forth in a prior decision of another panel. The first decision on a legal issue (not the last) is the binding precedent of our court. This

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1. 28 U.S.C. § 1295(a) (1994).

procedure prevents intracircuit conflict theoretically but not in reality. Because our precedent can be overturned only in banc, which is difficult logistically, a later panel that disagrees with an earlier panel's analysis as applied to its case may skirt around the issue with unhelpful generalities. Or a later panel may inadvertently conflict with an earlier opinion. That can happen. A sentence or two may be missed or not remembered from an earlier case. Neither type of second decision tackles the problem in a meaningful way. Only in a dissent can the issue be fully and intellectually addressed.

In the seven cases this term in which the Supreme Court has granted certiorari to the Federal Circuit, all but one involved thoroughly developed dissents to the majority opinion. I have no doubt that the dissents provided an impetus for Supreme Court review. Judges disputing a point more likely will pique the Court's interest than lawyers disputing a point.

One area of law the Justices have taken an interest in of late is that of the role of the jury in patent trials. All three patent cases discussed below raise questions respecting the jury's function. This is a welcome development, at least in my mind. Some panels of our court have been extremely deferential to jury verdicts while other panels require the trial judge to play a large role in deciding the case despite the presence of a jury. Only a pronouncement by the Supreme Court can settle this long-standing split among the judges.

The first case, *In re Lockwood*,<sup>2</sup> revolved around the right to a jury trial on the issue of patent validity in a declaratory judgment action. Lockwood's complaint alleged that American Airlines' reservation system infringed his patents and demanded a jury trial. American counterclaimed for a declaration of noninfringement and patent invalidity. After granting American's summary judgment motion of noninfringement, the court proceeded to consider the invalidity issues. On American's motion, the district court struck Lockwood's demand for a jury, concluding that "the remaining claims [for declaratory relief] are equitable in nature [and] the plaintiff is not entitled to a trial by jury as a matter of right."<sup>3</sup>

Lockwood then petitioned this court for a writ of mandamus directing the district court to reinstate his demand for a jury trial. In a nonprecedential Order, a panel of the Federal Circuit directed the

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2. 50 F.3d 966 (Fed. Cir.), cert. granted sub nom. American Airlines, Inc. v. Lockwood, 115 S. Ct. 274 (1995).

3. *In re Lockwood*, 50 F.3d 966, 969 (Fed. Cir.), cert. granted sub nom. American Airlines, Inc. v. Lockwood, 115 S. Ct. 274 (1995).

district court to conduct the trial with a jury.<sup>4</sup> American filed a combined petition for rehearing and suggestion for rehearing in banc. The panel granted rehearing and entered a precedential Order again instructing the court to reinstate Lockwood's jury demand. The panel concluded that because the issue of validity was not purely equitable and that the pending declaratory judgment action was most comparable to an inverted patent infringement action, the Seventh Amendment entitled Lockwood to a jury trial on the issue of the validity of his patents.<sup>5</sup> This was the first pronouncement of our court that the Seventh Amendment compelled a jury trial on the issue of patent validity.

I disagreed with the position taken by the panel, and I dissented to the denial of the suggestion for rehearing in banc, with Chief Judge Archer and Judge Plager joining.<sup>6</sup> Although such a dissent is unusual, it is the only way for a nonpanel member to express a position in a case that is not taken in banc. In my dissent, I explained the three reasons underlying my strong belief that patent validity is an issue of law for the judge alone. First, patent validity involves public rights, and Supreme Court precedent holds that the Seventh Amendment does not apply to public rights determinations. Second, a declaratory judgment action for patent invalidity does not present a situation in which a party historically had a *right* to a jury trial.<sup>7</sup> Last, the Supreme Court has stated repeatedly that patent validity is an ultimate question of law, and under general federal jurisprudence, the court, not the jury, decides that type of question.

Upon issuance of the order, American Airlines petitioned the Supreme Court for review. Once review was granted, the patentee moved, both in the Supreme Court and in the district court, to withdraw his demand for a jury. Neither the Supreme Court nor the district court acted on the patentee's motions, but the case quickly ended at the Supreme Court. The Court issued a brief order vacating the judgment of the Federal Circuit, remanding the case back to the district court (skipping over our court) and directing that court "to

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4. *Id.* at 980.

5. *Id.* at 966-80.

6. *Id.* at 980-90 (Nies, J., dissenting).

7. As explained in *Tull v. United States*, 481 U.S. 412, 417-18 (1987), "First, we compare the statutory action to 18th-century actions brought in the courts of England prior to the merger of the courts of law and equity. Second, we examine the remedy sought and determine whether it is legal or equitable in nature." Regarding the first prong of the test, in 18th-century England, patent nullification was accomplished through a *scire facias* writ in equity. Regarding the second and more important prong, all that remained before our court was the declaratory judgment for invalidity or unenforceability, and neither carries any right to damages. Thus, the remedy sought was not legal but equitable, and, on this ground alone, no jury *right* attached.

proceed.”<sup>8</sup> The Supreme Court did not vacate the district court’s decision denying Lockwood a right to a jury. I puzzled over what that action meant and have concluded, reluctantly, that it probably does not provide support for my position on juries even though there is no doubt that further proceedings were without a jury.

The second case taken by the Supreme Court involving patent jury trials is the *Markman* case.<sup>9</sup> The case began as a run-of-the-mill infringement action in which Markman alleged that Westview infringed Markman’s patent directed to a dry cleaning inventory control and reporting system. Resolution of the case turned on the meaning of the claim term “inventory.” Prior to disposition by the panel assigned to the case, Chief Judge Archer, Judge Rich, and myself, the case was taken in banc. In a majority decision written by the Chief Judge in which the other members of the panel joined, the majority held that the interpretation and construction of patent claims is a matter of law exclusively for the court and not the jury. The majority noted that it could find no authority from 18th-century English law supporting the proposition that construction of this type of document was a matter for the jury.<sup>10</sup> The holding that claim construction, like construction of a statute, was a matter for the court, in the majority’s view, preserved the limited role of the jury in infringement actions as it was in 1791.

Judge Newman, in dissent, characterized the majority’s holding as one that raised a constitutional issue of “grave consequence.”<sup>11</sup> According to this dissent, the meaning and scope of disputed technological and other terms of art are classic questions of fact, and the correct resolution of these disputes is more likely to be achieved by the trial process than by the appellate process. The dissent also believed that because infringement actions in 18th-century England were tried to a jury, the majority improperly discarded the jury right.

Markman’s petition for a writ of certiorari was granted, and a unanimous Supreme Court resolved the “intracircuit conflict” in favor of the majority’s view.<sup>12</sup> The Court explained that although there was no dispute that infringement actions must be tried to a jury, the question was whether a particular issue arising within a jury trial (that

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8. *American Airlines, Inc. v. Lockwood*, 116 S. Ct. 29, 29 (1995).

9. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir.) (in banc), cert. granted, 116 S. Ct. 40 (1995).

10. *Id.* at 984.

11. *Id.* at 999 (Newman, J., dissenting).

12. *Markman v. Westview Instruments, Inc.*, 116 S. Ct. 1384 (1996). See also *United States Surgical Corp. v. Ethicon, Inc.*, 116 S. Ct. 1562 (1996) (vacating Federal Circuit’s judgment and remanding for further consideration in light of *Markman*).

is, the construction of a patent claim) is a jury issue.<sup>13</sup> Agreeing with the *Markman* majority, the Court could find no direct 18th-century analogue to claim construction. In such a situation, the Court reasoned, it is proper to seek the best analogy between claim construction and an earlier practice whose allocation to judge or jury is known. The Court reasoned that the closest 18th-century analogue to modern day claim construction was the construction of a patent specification, a duty the Court concluded fell to the judge.<sup>14</sup> The Court also consulted existing precedent and "functional considerations" such as who was the better judicial actor for the task at hand.<sup>15</sup> Because of the need for uniformity of decision on this issue, the Court concluded that the better decision maker was the judge, not the jury.<sup>16</sup> While the majority prevailed, Judge Newman's dissent performed the extraordinary service of delineating a scholarly basis for disagreement. Without a dissent to point out that factual issues were involved, we would not have had such a clear directive by the Supreme Court that the trial judge must decide any underlying issues of fact en route to determining what a claim means.

The third patent jury case taken by the Supreme Court, *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*, is still pending.<sup>17</sup> A jury found that Warner-Jenkinson's ultrafiltration process infringed Hilton Davis' patent under the doctrine of equivalents.<sup>18</sup> The Federal Circuit, sua sponte, ordered rehearing in banc before issuance of a panel decision. The issue over which members of the court disagreed was the proper role of the jury in determining infringement under the doctrine of equivalents.<sup>19</sup> The court issued a total of five separate opinions. The opinion that held that the jury alone decides the issue of infringement under the doctrine of equivalents secured a majority of six judges. Five judges joined three vigorous dissents.

Judge Plager's dissent recognized that the doctrine is a judge-made exception to statutory mandates.<sup>20</sup> Characterizing infringement under the doctrine as being a uniquely equitable remedy, this dissenter logically concluded that such an equitable decision is the province of the judge.<sup>21</sup> The dissent of Judge Lourie similarly would

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13. *Markman*, 116 S. Ct. at 1386.

14. *Id.* at 1386-87.

15. *Id.* at 1395.

16. *Id.*

17. 62 F.3d 1512 (Fed. Cir. 1995) (in banc), *cert. granted*, 116 S. Ct. 1014 (1996).

18. *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1515 (Fed. Cir. 1995) (in banc), *cert. granted*, 116 S. Ct. 1014 (1996).

19. *Id.* at 1522.

20. *Id.* at 1536-45 (Plager, J., dissenting).

21. *Id.* at 1540 (Plager, J., dissenting).

place the decision on applicability of the doctrine in the hands of the court, not the jury.<sup>22</sup>

I authored the third dissent. After tracing the doctrine through Supreme Court precedent, I became convinced that the determination of infringement under the doctrine of equivalents presents a series of questions of law, fact, and mixed law and fact, and that the scope of protection, that is, how far a claim extends beyond its words, is a question of law for the trial judge.<sup>23</sup> With respect to a claim to a combination of elements, only the purely factual issue of equivalency of the components of the accused device to the elements of the claim, in my view, is for the jury. The scope of protection of a claim, the issue in *Hilton Davis*, seems to me to be indistinguishable from interpretation of a claim, the issue in *Markman*. Neither is for the jury.

The Supreme Court granted Warner-Jenkinson's petition for a writ of certiorari in February 1996. The importance of a case is often gauged by the number of amicus briefs filed. Thus far, seventeen amicus briefs have been filed with the Court. The date for oral argument has not yet been set. The majority holding is clear while the dissents provide the Justices with clear alternatives. I have no doubt that the Supreme Court will benefit from the presentations of the opposing views held by members of this court in making a decision the importance of which to patent law is almost unparalleled.

In other fields of law as well, important issues are likely to generate a dissent. The *Hercules* case involved a suit by two manufacturers (collectively Hercules) of the chemical defoliant "Agent Orange."<sup>24</sup> The two manufacturers sought indemnification from the government for their contributions to a fund established in connection with the settlement of a district court class action tort suit brought against them and other manufacturers by and on behalf of individuals exposed to the defoliant during the Vietnam War.

The panel majority of the Federal Circuit concluded that the Claims Court did not err in granting the government's motion for summary judgment on each of Hercules' contract-based claims.<sup>25</sup> Specifically, the panel rejected Hercules' contention that the government's superior knowledge gave rise to a contractual obligation to inform Hercules of the known dangers, and concluded that

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22. *Id.* at 1549 (Lourie, J., dissenting).

23. *Id.* at 1550 (Nies, J., dissenting).

24. *Hercules, Inc. v. United States*, 24 F.3d 188 (Fed. Cir. 1994), *cert. granted*, 115 S. Ct. 1425 (1995).

25. *Id.* at 196.

Hercules' claim of a breach of an implied warranty of specification failed because causation was lacking—Hercules could not prove causation because it was protected from liability by the “government contractor defense.”<sup>26</sup> Accordingly, the panel considered Hercules' contributions to the Fund to have been made voluntarily. The panel also was not persuaded by Hercules' arguments that the government's mixing of the dioxins and government-imposed restrictions on packaging gave rise to recovery under a “reverse warranty” theory.<sup>27</sup> Again, in view of the government contractor defense, Hercules could not prove causation. Last, the panel rejected the argument that the government's use of the Defense Production Act (“DPA”)<sup>28</sup> to compel Hercules to produce Agent Orange created an implied-in-fact obligation to indemnify Hercules for any damages incurred.

The dissent disagreed with the idea that the government contractor defense precluded proof of causation and with the characterization of Hercules' contributions as “voluntary.”<sup>29</sup> Use of the defense in this case amounted to what the dissent called “unwarranted historical revisionism.”<sup>30</sup> The dissent also believed that the majority improperly confined the doctrine of superior knowledge and that the language of the DPA supported the government's liability.

After the panel denied the petition for rehearing and this court declined the suggestion for rehearing in banc, the Supreme Court agreed to review the case.<sup>31</sup> The Court affirmed the Federal Circuit's judgment, rejecting Hercules' warranty-of-specifications and indemnification claims.<sup>32</sup> In particular, the Court concluded that the inference arising from a warranty of specification (that is, that the party warrants the capability of performance) does not extend to third-party claims against the contractor.<sup>33</sup> The Court also rejected Hercules' contention that compelled performance under the DPA constituted an implied-in-fact agreement to indemnify Hercules. Statutory provisions permitting a contracting officer to indemnify a contractor would be entirely unnecessary if an implied agreement to indemnify could arise from the circumstances of contracting.

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26. *Id.* at 198.

27. *Id.* at 202.

28. 50 U.S.C. app. §§ 2061-2170 (1994).

29. *Hercules*, 24 F.3d at 205 (Plager, J., dissenting).

30. *Id.* at 207 (Plager, J., dissenting).

31. *Hercules, Inc. v. United States*, 115 S. Ct. 1425 (1995).

32. *Hercules, Inc. v. United States*, 116 S. Ct. 981 (1996).

33. *Id.* at 987.

The final case taken by the Supreme Court in 1995 involved the appeal of a savings and loan company, Winstar Corp.<sup>34</sup> *Winstar* arrived at our doorstep as an appeal by the government from a decision holding it liable for breach of an implied-in-fact contract between the government and numerous thrifts, under which it was held that the thrifts had the right to continue using certain accounting procedures.<sup>35</sup> The breach allegedly occurred when Congress, through passage of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"),<sup>36</sup> restricted the use of "supervisory goodwill" as capital which satisfied the regulatory capital requirements.<sup>37</sup>

A majority of a panel of the Federal Circuit (including myself as author) reversed and remanded, concluding, inter alia, (1) that there was no contract obligating the government to continue the regulations which Congress changed, and (2) that FIRREA's capital reforms were general and public acts to which the Sovereign Acts Doctrine applies.<sup>38</sup> One judge dissented from the panel, concluding that the government was liable under contract law notwithstanding application of the Sovereign Acts Doctrine.<sup>39</sup> The thrifts' suggestions for in banc consideration were accepted.

The in banc majority opinion, joined by nine judges, affirmed the lower court's judgment but on different grounds. The majority concluded that the government had an express contractual obligation to permit the thrifts to count supervisory goodwill as a capital asset for regulatory capital purposes.<sup>40</sup> The majority, adopting part of the lower court's reasoning, rejected application of the Sovereign Acts Doctrine.

Two judges dissented. I reiterated the views expressed in my earlier opinion.<sup>41</sup> Judge Lourie reasoned that the Sovereign Acts Doctrine bars recovery on a breach of contract theory.<sup>42</sup>

The Supreme Court accepted the case in January of this year, oral argument was heard on April 24, 1996, and a decision has now been

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34. *Winstar Corp. v. United States*, 64 F.3d 1531 (Fed. Cir. 1995), *aff'd*, 116 S. Ct. 2432 (1996).

35. *Winstar Corp. v. United States*, 994 F.2d 797, 806 (Fed. Cir. 1993).

36. 12 U.S.C. § 1464 (1994).

37. *Winstar Corp.*, 994 F.2d at 806.

38. *Id.* at 808-09.

39. *Id.* at 813-19 (Newman, J., dissenting).

40. *Winstar Corp. v. United States*, 64 F.3d 1531 (Fed. Cir. 1995), *aff'd*, 116 S. Ct. 2432 (1996).

41. *Id.* at 1551-52 (Nies, J., dissenting).

42. *Id.* at 1552 (Lourie, J., dissenting).

rendered against the government accompanied by four opinions.<sup>43</sup> No opinion captured a majority.

Dissents take a great deal of time to prepare. One often wonders if a dissent is worth the effort, but I am convinced that a judge who disagrees with the majority must make the effort to write a dissent, especially here at the Federal Circuit where dissents are virtually the sole means by which contradicting positions on the law are presented fully and without personal bias to the Supreme Court. An appellate panel of three judges should never be constrained to speak with one voice. Although majority opinions have fared well so far this year at the Supreme Court, as Chief Justice Rehnquist told us at our Judicial Conference in May, "Stay tuned." The adage, "Today's dissent is tomorrow's majority," may play itself out before the year is through.

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43. *Winstar Corp. v. United States*, 116 S. Ct. 2432 (1996).