THE FOURTH ANNUAL HONORABLE HELEN WILSON NIES MEMORIAL LECTURE IN INTELLECTUAL PROPERTY LAW*

THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT: THE PROMISE AND PERILS OF A COURT OF LIMITED JURISDICTION

THE HONORABLE RANDALL R. RADER**

INTRODUCTION[1]

I want to welcome you to the Fourth Annual Honorable Helen Wilson Nies Memorial Lecture in Intellectual Property Law. Usually at this point I would say a few words about the late Judge Nies, but our speaker today knew her much better than I, and I know that Judge Rader would like to say a few things regarding Judge Nies, so allow me to introduce this year's distinguished lecturer. As you know, this year's Nies lecturer is the Honorable Randall Rader, from the United States Court of Appeals for the Federal Circuit. I am very pleased to have you with us this afternoon Judge.

Before Judge Rader donned the black robe, he worked as Counsel to the Senate Judiciary Committee for nearly nine years, and in that capacity he was

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** Judge Randall R. Rader was nominated to serve on the United States Court of Appeals for the Federal Circuit by President George H.W. Bush in 1990. During his more than ten years on the Federal Circuit, Judge Rader has written some of the court's most important patent law decisions, and he continues to be one of the court's most visible members. Prior to his Federal Circuit appointment, Judge Rader held numerous government positions, including serving on the United States Senate Judiciary Subcommittee on Patents, Copyrights, and Trademarks as well as serving as a judge on the United States Claims Court.

1. Professor Craig Allen Nard provided introductory remarks.

Chief Minority Counsel for the Patent, Copyright, and Trademark Subcommittee. In 1988, he was appointed by President Reagan to the United States Claims Court, as it was known then, and in 1990 President George Herbert Walker Bush nominated Judge Rader to serve as a circuit judge on the United States Court of Appeals for the Federal Circuit where he has been ever since. Judge Rader is known as an astute questioner—a tough one from the bench—and is the author of several influential opinions, many of which as of late have given voice to a dissent. But maybe that will change some minds, please help me welcome Judge Randall Rader.

JUDGE RADER'S REMARKS

I am very pleased and honored to be here with you today. And let me say from the onset that Marquette University is very privileged to have Professor Nard here. I esteem Professor Nard as one of the top two or three Intellectual Property professors in his generation. And you are highly complemented to have him serving here on your faculty. I wanted to say just a word or two about Helen Nies also. It is easy to commend Judge Nies for her outstanding contributions to the jurisprudence of the Court of Appeals for the Federal Circuit and laced throughout my remarks you are going to hear me note that "this was a Nies opinion" and "that was a Nies opinion" or "this was important, that was important"—all coming from Helen. I really want to praise Helen for far more than her judicial qualities. She was an outstanding wife and mother. Helen was also a leader in the community beyond just her judicial service. She, at one point with great courage in a rising career, stopped and raised two children who are still making wonderful contributions in their chosen fields. Helen returned to the law, which she never really left, but with enough enthusiasm and ability to more than compensate for the years that she had displaced in higher service. She was a magnificent wife to John Nies, an outstanding patent lawyer, who is also departed now. John could tell a story better than anybody; he was the best at telling stories. I think that he helped keep Helen a little on the light side as she served as our second Chief Judge and was one of the most outstanding judges of her era. We miss Helen, but she is with us still as you see in her jurisprudence.

The subject that I will speak of today, is one that I am very anxious to discuss with the Bar, the academic community, and with the patent and intellectual property law community in general. We are all aware that in 1982, the Court of Appeals for the Federal Circuit was created. It was put into place to correct the failures of the Supreme Court and to really provide a standard for what is an appropriate advance in the technological arts; an exclusive right. Over the years, the invention standard used by the Supreme Court had become incredibly diaphanous and a "veritable phantom" as it was

labeled. The Federal Circuit, I think, has accomplished a great mission in bringing uniformity, predictability, and enforceability to law. But because the legal community continues to assess the Court of Appeals for the Federal Circuit according to an inappropriate standard, it is leading to a lot of inappropriate criticism, a lot of inapt assessment of the court's efficiencies and deficiencies.

The Court of Appeals for the Federal Circuit is a unique institution, one of the most unique judicial bodies in the entire world. I have had the great good fortune to travel to nearly fifty countries and have sat with the judiciaries of many of these countries and discussed with them their procedures and laws. There is no judicial institution in the world like the Court of Appeals for the Federal Circuit. It is the only institution of its kind where the development and enforcement of one critical body of international commercial law is committed to a small group of judicial officers. One small group of judicial officers are responsible for developing and enforcing this particular branch of law—patent law—which has vast international and commercial implications; driving much of the international marketplace and the dynamic success we are seeing around the world. But we need to explore exactly the implications of that.

And at this point, I run a great risk, because I would like to begin our examination of how the Federal Circuit is so very different with a few statistics. Statistics are perilous, but I think that I have boiled them down enough that they can be used for our limited purposes. I have looked at the last five years, and I have looked at the results of common law development in the Circuits and the Federal Circuit. I chose to compare copyright law to patent law. The reason I made that particular choice is because they both have about the same number of filings each year. Over the last five years approximately twenty-one hundred cases are filed each year under both the Copyright Act and the Patent Act. Of course, one is a little higher one year and a little lower the next. The Patent Act was actually moving ahead a little bit in filings, but they are about the same. So we can have some idea with the same number of filings whether the same general number of appeals are coming to the Courts of Appeal for resolution of important legal controversies relative to those comparable areas of law. On average, a regional circuit resolves 3.5 copyright cases each year in a precedential manner—published opinion. There is some variance, the First Circuit does two per year, the Sixth Circuit does only one each year. Those of you who are particularly astute say, "Oh, but you've got to get in the Ninth or the Second Circuit because those are the real flood circuits for copyright law." OK, we can get in the Ninth Circuit. The Ninth Circuit does about nine precedential copyright opinions each year. That means, the Ninth Circuit, nine times a year, examines their

precedent and divined from that precedent the principles which they use to resolve the current fluid and changing cases that are presented to them. Compare those numbers now to the Federal Circuit. Ninety-six times a year the Federal Circuit resolves cases, patent cases, in a precedential manner again gleaning from its jurisprudence the principles that will guide the future common law development of this important area of law. Ninety-six times per year compared to 3.5 times per year. That means, on the average, the Federal Circuit is resolving cases and developing the law—evolving it in the common law fashion that we are very familiar with—at twenty-five times the pace of the average circuit.

Just for a quick comparison, we can make the same comparison with trademark law. There are a few more trademark filings each year; about thirty-seven hundred. Still, the average number of trademark cases resolved by the circuits is five per year compared to ninety-six a year by the Court of Appeals for the Federal Circuit. Again, more than twenty times the pace. The nature of the Court of Appeals for the Federal Circuit has dramatically accelerated the pace of common law development. However, the nature of the Federal Circuit has also retarded the pace of common law development in some important ways. When the Federal Circuit speaks, that becomes the nation-wide rule and in many cases, once it is spoken there is less percolation, less chance for experimentation, less chance for what Justice Brandeis called the "laboratory of federalism"—various district courts and circuits, each resolving similar issues in the same way and providing the Supreme Court with a prism through which to view the law and choose the best solutions for the future. That is not as present in the jurisprudence of the Court of Appeals for the Federal Circuit and therefore, in some respects, it retards that development. But in most areas where the statutory law is not as clear, the standards are less determined on a statutory level, and so we understand our comfort with the common law system that the courts, specifically the Courts of Appeal, must provide meaning and enforce the law by providing some kind of standard in the vagueness. My concern is that when we fail to factor into our thinking this vastly accelerated pace of common law development, we often misjudge the efficiencies and the deficiencies of the subject matter Courts of Appeal model, of which there is only one: the Court of Appeals for the Federal Circuit. We judge the Court of Appeals for the Federal Circuit by the wrong standard. The standard we judge the court by is the standard we all grew up with, we went to law school with, we are accustomed to, we all practice in our local regional circuits. It is the law to us. But it is not the right standard for the Court of Appeals for the Federal Circuit.

To my good fortune, as I prepared to come to Milwaukee today, I got a perfect exhibit for my thesis that the Court of Appeals is judged by the wrong

standard. An opinion, from one of the most predominant district courts for resolving cases. The opinion is written by the Chief Judge of that district, a judge for whom I have great respect, an eminent and renowned jurist, who is universally respected for his judgment. I want to read to you the assessment of the Court of Appeals for the Federal Circuit. In a very unusual manner, he feels that a burden would be lifted if, at the beginning of this opinion, some overarching judgments about the Federal Circuit were given. It begins, sentence number one, "The Federal Circuit is different." By the way, we agree with that. Our thesis is already suggesting there are some significant differences between the Federal Circuit and other circuits. The opinion continues:

> The Supreme Court refers to the Federal Circuit as a specialized court. But the Supreme Court pays heed to its sound judgment in Patent Law. Indeed the Federal Circuit views itself as a substantive policy maker, a court with a mission. Issues such as the one before the court are usually reserved for this court to answer with its special expertise. The court with its special expertise has a mission. Almost since its inception, the Federal Circuit has been dogged with criticism for straying from the path carefully delineated for appellate tribunals. Disappointed litigants and commentators alike have criticized the court for fact-finding and other forms of hyperactive judging. Increasingly, concern has been expressed over the Federal Circuit's decision making procedures and its apparent willingness to take over the roles of Patent Examiner, Advocate, and Trier of Fact. The Federal Circuit is akin to a civil code court of the European Union. The court's emphasis is on careful delineation of evermore explicit and detailed rules—evermore explicit and detailed rules—a Patent Code if you will. Small wonder then, that intellectual tension exists. As the Federal Circuit struggles to impose its vision and to shape the views of the district courts that rightly consider themselves the prime guardians of the most vital expression of direct democracy in America today—the jury of the people.

I digested eight or ten pages of the opinion there into a few comments. Notice the evaluative adjectives used; "substantive policy making," "court with a mission," "hyperactive judging," "evermore explicit and detailed rules." I would posit that a good deal of that criticism, or that evaluation—we should not characterize it as criticism at this time—a good deal of that evaluation is due to the failure to factor in the accelerated case of common law development. Judging from the standard that the eminent jurist of this opinion is most familiar with, the Federal Circuit is found to be moving too fast—hyperactive, too many explicit rules—and this jurist is uncomfortable with this different institution. Let me examine this same phenomenon in a

more anecdotal manner for a moment, sticking with our thesis, that the Court of Appeals for the Federal Circuit is different and therefore needs a different standard for evaluation. Let me take a particular doctrine to use as our test tube for a moment so that we may just mix together the elements and see how quickly they react with our hypothesis; to see whether we get smoke or get fire.

The example that I want to use is the Doctrine of Equivalents. The Doctrine of Equivalents is a doctrine in patent law that legally enforces a patent even though the claims of the patent do not literally cover the accused device. But the accused device is so indistinguishable from the claimed invention that the law is willing to overlook the insubstantial differences between the claims and the accused device because the invention has nonetheless been infringed according to the law. That is the Doctrine of Equivalents. Of course, you can understand the difficulty with this doctrine; you are talking about how close something has to be to the patent claim before it is infringing. Whenever you are talking about a substantial difference or similarity it begs the questions "How substantial is substantial? How different is different? What is the standard?" The nature of the doctrine resists that kind of definition. The definition depends upon each factual case and whether it is close enough in each particular instance to warrant a judgment of infringement. Previously, we regarded the Doctrine of Equivalents as, according to our jurisprudence, an exception to the rule, not the rule itself of patent enforcement. Yet we began to see, before 1995, this exception to the rule was invoked in every case. The exception was becoming the rule. And so the court took steps to try and deal with this, and in 1995, we issued the *Hilton Davis* case.[2] The issue was shall we have an equitable trigger in order to invoke the Doctrine of Equivalents at all; you have to prove bad conduct on behalf of the accused infringer, you have to prove culpability, essentially you have to prove they knew of the invention and they copied it. The Supreme Court dealt with that. The Court of Appeals for the Federal Circuit said, unfortunately, that is an intent-based test, but intent has never been relevant to infringement. Therefore, we dismiss the equitable trigger.[3]

In 1997, the Federal Circuit's decision in *Hilton Davis* was taken to the Supreme Court, and the Supreme Court issued the *Warner-Jenkinson* opinion.[4] The opinion does not speak the death of the Doctrine of Equivalents; instead, the case enunciates two important tests to clarify the Doctrine. First, you may not extend the substantiality of the difference so

2. Warner-Jenkinson Co. v. Hilton Davis Chem., Inc., 520 U.S. 17, 41 U.S.P.Q.2d (BNA) 1865 (1997), *remanded and reaffirmed*, 114 F.3d 1161, 43 U.S.P.Q.2d (BNA) 1152 (Fed. Cir. 1997).

3. *Warner-Jenkinson*, at 29–30, 41 U.S.P.Q.2d (BNA) at 1873–75.

4. *Id.*, 520 U.S. 17, 41 U.S.P.Q.2d (BNA) 1865.

much as to infringe upon a limitation. A limitation is a specific limiting part of these patent claims, you can not do it so much that you fail to take into consideration the limitation. And they say we are going to invigorate the Doctrine of Prosecution Estoppel.[5] Prosecution history estoppel says if during the acquisition of the patent which we call the prosecution stage, you have made certain representations about the patent or amend the patent, as is commonplace, every patent at least in the past has been routinely amended during the process to limit and define it more particularly. If you have done that, you can not recover what you surrendered during the prosecution stage under the Doctrine of Equivalents. Two years later, in 1997, a flurry of prosecution history estoppel cases came back to the Court of Appeals for the Federal Circuit, *Lilly*,[6] *Hughes*,[7] *Sextant*.[8] There were groups of them in the court grappling with the limitations on this Prosecution Doctrine that the Supreme Court had invigorated, which led to a case we decided last year called *Festo*.[9] *Festo* had been a major opinion of concern in the patent bar. It is purported to stand for the proposition if you amend you cannot extend. If you amend a patent application you are not going to have the benefit of any Doctrine of Equivalents. Someone can sidle up to you just as close as they can get, so long as they are just outside the limit, they are not infringing. And it is pretty easy to evade by a minuscule change, thus potentially undercutting the value of the patent in the first place, and thereby eroding the incentives for innovation and research.

In 2001, a prominent Bar group concerned about the implications of the Doctrine of Equivalents drafted legislation, and guess what they proposed? An equitable trigger for the Doctrine of Equivalents—remember that was where we started. The point I am making is not whether you instantly recognize that we are coming in circles, what I want you to realize is we are revisiting, complicating, and examining in detail these issues in a span of five or six years. The pace is alarmingly fast. It is more than just the pace of these issue developments that is rather bewildering. In a business we must explain "How do I adjust my conduct to comply with the rules of patent law? Things are moving so quickly that I am unable to tell exactly where the line is at any given time." There is an anecdotal example—it is not an isolated example.

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5. Hilton Davis Chem. Co. v. Warner-Jenkinson Co., 114 F.3d 1161, 43 U.S.P.Q.2d (BNA) 1152 (Fed. Cir. 1997).

6. Hughes v. United States, 116 F.3d 453 (Fed. Cir. 1997).

7. Regents of the University of California v. Eli Lilly & Co., 119 F.3d 1559 (Fed. Cir. 1997).

8. Sextant Avionique, S.A. v. Analog Devices, Inc., 172 F.3d 817, 827–32, 49 U.S.P.Q.2d (BNA) 1865, at 1870–75 (Fed. Cir. 1999).

9. Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 234 F.3d 558, 56 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2000).

Functional claiming,[10] as recently as 1992, in the court's opinion was hailed as kind of the early definition of what will be the requirements for a functional claim. Since then we have come through extraordinary change in just a period of less than ten years. If you have been schooled in our law you would understand that there has been a vast restructuring of our view as to the merits of functional claiming as a protection for inventive activity.

Another area, where, like functional claiming, there is still a great deal of uncertainty as to where this alarming case of common law development will settle is the area of written description.[11] Written description is the requirement that you must adequately describe in your specification what you claim. This requirement has been used to invalidate patents and has been of considerable concern as applied to the biotechnology industry in particular. In addition, the requirement has been quite disruptive of many of the inventive activities. Now there are other areas where the pace has brought considerable closure, considerable resolution. I would point to statutory bars.[12] Just ten years ago Judge Nies wrote the *UMC* opinion,[13] which introduced concepts of obviousness into the determination of when something was complete enough to be eligible for a statutory bar. We have come through a vast number of opinions, and the Supreme Court has spoken recently; in fact, the Court brought a measure of closure to that issue in a period of a few years. Another area might be the whole area of eligibility for patent protection.[14] There were grave concerns in the early 1990s. It was just in 1991, we had the *Arrhythmia* opinion.[15]

It raised the question as to whether the Supreme Court's law on eligibility was consistent with some of the more recent Supreme Court opinions, whether the Federal Circuit's law was consistent with more recent Supreme Court opinions. We have come through *Arrhythmia*[16] to *State Street Bank*,[17] which has brought some considerable closure and some certainty to the law of eligibility. Not that there do not continue to be issues open in each of these areas, but again to have come from uncertainty to some measure of closure in

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10. Means plus function claiming, a nonspecific way of drafting claim limitations. 35 U.S.C. § 112(6) (1994 & Supp. V 1999).

11. 35 U.S.C. § 112(1) (1994 & Supp. V 1999).

12. *See* 35 U.S.C. § 102 (requirements of novelty and conditions of loss of right) (1994 & Supp. V 1999); 35 U.S.C. § 103 (requirements of nonobviousness) (1994 & Supp. V 1999).

13. UMC Elecs. Co. v. United States, 816 F.2d 647 (Fed. Cir. 1987).

14. *See* 35 U.S.C. § 101 (1994 & Supp. V 1999).

15. Arrhythmia Research Tech. Inc. v. Corazonix, Corp., 958 F.2d 1053, 22 U.S.P.Q.2d (BNA) 1033 (1992).

16. *See id.*

17. State Street Bank & Trust Co. v. Signature Fin. Group, Inc., 149 F.3d 1386 (Fed. Cir. 1998) (expanding upon 35 U.S.C. § 101 subject matter to enable business method patents).

just a matter of years is an alarming pace of development.

Let me just conclude a moment. Institutionally, as I have said, the Court of Appeals for the Federal Circuit is not like any other Circuit because the Federal Circuit's range and the pace of its common law is accelerated. This suggests the need for a different view of the judicial process as it is applied to the courts. Neither standard explanations of the pace of common law development nor do standard observations about intra-circuit conflict apply to the Federal Circuit. Think about it again, there are, I would guess, significant intra-circuit conflicts in each circuit. However, in most circuits the conflicts only occur ten or fifteen years apart! It is not alarming, it is not a sense of disquietude when that occurs ten or fifteen years apart; instead, it seems part of the bedding process for the law to develop. But when things happen twenty-five times as fast or twenty times as fast as they must happen—and remember the nature of technology is changing and that is the standard diet of our court too which accelerates even more the factual content for accelerated change—then suddenly you have the intra-circuit conflicts occurring months apart; and the Bar, which is accustomed to the quietude of ten years of settlement before there is a case that raises a question about an earlier panel opinion, sees that happening in a short period of time and raises the standard of the law. I do not think that we can use those old standards to make our judgments.

With such explanations I would still speak now, as I have been speaking throughout, as Professor Rader. It makes it much easier for me to speak as Professor Rader, and as Professor Rader I would speak to those purists that of course all the professors look down on as never really comprehending all the implications of the law. And I would counsel them that there is a danger, that the court could feed the perception that it is an ongoing committee of continuous revision of Title 35.[18] We do not want rules to become so riddled with exceptions that the law is no longer legal. Fact based principles unite and provide certainty and clarity for the application of the law as each new case requires a new result. The court must take great counsel to avoid that sort of uncertainty. I would have all sorts of suggestions to give, as we professors always have. But they are perhaps for another day; my thesis is that we have used the wrong standard. We should first factor in the correct standard, and then through that correct prism we can better clear our vision to suggest reform.

QUESTIONS AND ANSWERS

Question: What do you believe is the role of the jury in patent cases at the

18. *See* 35 U.S.C. § 1 et seq. (1994 & Supp. V 1999).

district court level?

Response: Did I give you enough to kind of suggest what the Federal Circuit is grappling with? Actually I very purposely did not want to address any particular substantive area for response or otherwise. But setting that aside, I want more just to focus on the standard by which we make these judgments. But setting that aside for a moment, the court has grappled very clearly with the role of the jury, and the court has in one of its most important decisions of the last decade, stated that the primary, defining moment of a patent trial, when you say what the claims mean, is something beyond the purview of the jury. That has been upheld by the Supreme Court over a specific Seventh Amendment challenge. And this has been an area of significant concern in our Bar that the definition of an invention, of course, involves inquiries such as how one of skill in the art, in that particular scientific art, would read and understand these claim terms. That is a very factual inquiry, but to avoid jury participation in that, the court has adapted the conclusion that it is solely a legal function and it is performed solely by judges. So it is only judges defining the parameter of the invention, juries participate to far more limited degree, and whether the accused devices or products or processes fall within that invention as defined. This has been perceived by many as less than the full role that the jury receives in other areas of intellectual property law; such as copyright law or trademark law. Nonetheless, the court is dealing with its difficult technology which the Supreme Court believes is best understood by, as a practical matter, judges. It is better to have judges making those decisions and then exercising the discretion of juries in that function. That may well be. However, that is a subject beyond the scope of my thesis today, which is to discuss the standard by which the Federal Circuit is judged, not whether it is a good thing or not a good thing, within the Seventh Amendment fabric of the rest of the country, to have these incredibly technical issues dealt with by judges or by a jury of non-experts. Judges themselves being non-experts—no denying that as well. But the more important question is that changes happen very rapidly, and that people respond to it far different than they might if it would have come over a period of many years with, kind of, careful consideration in the interim of each miniscule step. Miniscule steps happen weekly, the big steps monthly; the shifts of tectonic plates yearly. And that is the present pace of the Federal Circuit.

Question: Does the Federal Circuit use cases before it to clarify the law, but then find itself "boxed-in" when another case is before the court which should be decided on the same grounds, but has a factual pattern which may preclude the court from doing so?

Response: That is very much evident, and I think that is one of Chief Judge Young's observations—this evermore detailed patent code becomes, as you say, so dense that the legal rules mean less. This statement just depends on the facts of each case. We have to worry about that. The worry we have to have is that if the law becomes less legal we have less guidance for future conduct, less predictability, less continuity. Particularly in the international marketplace, which is what this law governs. This is driving the Internet. This is driving the international economy. You need to have a clear standard that you can conform your conduct to. When the lawyers can say, "I have four cases here, four cases there, take your pick." That is not a happy situation for a CEO or a Dot Com start-up company or any one else. Yes, we do have to become very concerned about that. I would suggest however that that is again a part of the nature of the Federal Circuit. There are going to be varying technologies. The court is going to be presented with varying cases and varying fact patterns at alarming rates. The Court has to deal with them—that is our mandate. That would suggest unless the court begins—I will now venture as Professor Rader—to give a bit of a value judgment, to simplify back to reasoning from basic principles instead of a standard appellate reasoning which is; Party *A* says "this" and Party *B* says "that" and we agree with Party *B* and then all of the dense arguments of Party *B* suddenly become part of the law. Instead of refereeing boxing matches, as is so often evident in appellate decisions, the Federal Circuit needs to, as much as possible, return to fundamental principles and reason from them each time. Reinforcing those fundamental principles so that the law becomes discernable. This is not easy. The simple fundamental principles are not what you are given in any appellate court, the Federal Circuit, or any other regional circuit today. The cases that come up, we all know, are the ones on the margins. And as you suggest as the margins get more dense, the indeterminacy of the law can overwhelm the consistent predictability that was the driving purpose of the Federal Circuit in the first place.