

THE FEDERAL CIRCUIT AS A FEDERAL COURT

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All federal courts decide cases that delimit authority between state and federal courts and among branches of the federal government. But only one federal court has appellate jurisdiction over patent law: the U.S. Court of Appeals for the Federal Circuit. This Article examines how judicial specialization affects the Federal Circuit’s relationships with other government bodies and, ultimately, substantive patent law. The Article begins by identifying and deconstructing the Federal Circuit’s four key external relationships, namely, its relationships with: state courts (which the Article defines as the “federalism” relationship), other branches of the federal government (the “separation of powers” relationship), the regional circuits (the “horizontal” relationship), and the trial-level tribunals that hear patent cases—the federal district courts and the International Trade Commission (the “vertical” relationship). This novel taxonomy reveals that the court has, in general, favored rules that enlarge its own influence over patent law at the expense of other institutions. Moreover, these power dynamics can be tied to crucial problems in the patent system, such as the unpredictability of patent claim construction and the proliferation of patents of unclear scope and questionable validity.

The Article leverages these patent-focused insights to contribute to broader debates about judicial decision-making and institutional design, suggesting that specialized courts may have inherent incentives to exclude other institutions from shaping the law within their domain. Yet, at least in the Federal Circuit’s case, there is more to these dynamics than a naked power grab. Rather, a complex assortment of subtle influences, such as the court’s dual charge from Congress to unify patent law and to provide expert patent adjudication, has arguably fed the court’s incremental power expansion. As a topic for future inquiry, the Article highlights how these power dynamics may lead a semi-specialized court like the Federal Circuit to prioritize certain areas of its jurisdiction, such as patent law, over others, such as veterans benefits cases and government employee disputes.

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INTRODUCTION

The purpose of the patent system is enshrined in the U.S. Constitution: “To promote the Progress of Science and useful Arts.”¹ Yet many companies now view the patent system as impeding, rather than promoting, technological progress, even as those same companies race to amass ever-larger patent

¹ U.S. CONST. art. I, § 8, cl.8.

portfolios.² Many scholars have found the causes of (and potential cures for) this “patent crisis” in the institutional structure of the patent system.³ For example, the U.S. Patent and Trademark Office (PTO), unlike most administrative agencies, has no substantive rulemaking authority.⁴ This weakness, some have argued, leaves the country without the clear, predictable patent policy needed to encourage innovation.⁵ At the apex of the patent system is the U.S. Court of Appeals for the Federal Circuit, which has exclusive jurisdiction over patent cases (as well as many other matters, such as veterans benefits and international trade disputes).⁶ Some have argued that this jurisdictional monopoly has exacerbated the patent crisis by facilitating a formalist jurisprudence insensitive to patent law’s real-world impact.⁷

This existing scholarship does not, however, provide a complete picture of the patent system’s institutional dynamics. Instead, it typically reviews institutional relationships in isolation, focusing, for example, power struggle between the PTO and the Federal Circuit,⁸ or between the Federal Circuit and the tribunals that hear patent infringement claims at the trial level: the U.S. district courts,⁹ and the

² See JAMES BESSEN & MICHAEL J. MEURER, *PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK* 5 (2008); DAN L. BURK & MARK A. LEMLEY, *THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT* 4 (2009); see also Robert McMillan, *How Apple and Microsoft Armed 4,000 Patent Warheads*, WIRED, May, 21, 2012, <http://www.wired.com/wiredenterprise/2012/05/rockstar> (discussing the \$4.5 billion purchase of 6,000 Nortel patents by a consortium led by Apple and Microsoft).

³ See, e.g., Michael J. Burstein, *Rules for Patents*, 52 WM. & MARY L. REV. 1747 (2011); Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. REV. 1444 (2010); John M. Golden, *The Supreme Court as “Prime Percolator”: A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657 (2009); Clarisa Long, *The PTO and the Market for Influence in Patent Law*, 157 U. PA. L. REV. 1965 (2009); Sapna Kumar, *Expert Court, Expert Agency*, 44 U.C. DAVIS L. REV. 1547 (2011); Jonathan Masur, *Patent Inflation*, 121 YALE L.J. 470 (2011); Joseph Scott Miller, *Substance, Procedure, and the Divided Patent Power*, 63 ADMIN. L. REV. 31 (2011); Craig Allen Nard & John F. Duffy, *Rethinking Patent Law’s Uniformity Principle*, 101 NW. U. L. REV. 1619 (2007); Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035 (2003); Sarah Tran, *Administrative Law, Patents, and Distorted Rules*, 80 GEO. WASH. L. REV. 831 (2012); Liza Vertinsky, *Comparing Alternative Institutional Paths to Patent Reform*, 61 ALA. L. REV. 501 (2010); Melissa F. Wasserman, *The PTO’s Asymmetric Incentives: Pressure to Expand Substantive Patent Law*, 72 OHIO ST. L.J. 379 (2011).

⁴ See *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549-50 (Fed. Cir. 1996).

⁵ Burstein, *supra* note __, at 1761.

⁶ See Paul R. Gugliuzza, *Rethinking Federal Circuit Jurisdiction*, 100 GEO. L.J. 1437, 1461-64 (2012).

⁷ See Nard & Duffy, *supra* note __, at 1620-21.

⁸ See, e.g., Craig Allen Nard, *Deference, Defiance, and the Useful Arts*, 56 OHIO ST. L.J. 1415 (1995); Sarah Tran, *Patent Powers*, 25 HARV. J.L. & TECH. 595 (2012).

⁹ See, e.g., Ted L. Field, “Judicial Hyperactivity” in the Federal Circuit: An Empirical Study, 46 U.S.F. L. REV. (forthcoming 2012), available at <http://ssrn.com/abstract=1990014>.

International Trade Commission (ITC).¹⁰ This Article, by contrast, comprehensively studies the Federal Circuit's relationships with all government bodies that encounter patent law, including not only the PTO, the district courts, and the ITC, but also the regional circuits, Congress, and even state courts.

This novel, multi-directional inquiry results in three important contributions. First, the Article develops a taxonomy of Federal Circuit relationships, which reveals that the court has often obstructed other institutions from shaping patent law. Drawing on the lexicon of Federal Courts theory, the Article maps the Federal Circuit's relationships with: state courts (which the Article defines as the *federalism* relationship), other branches of the federal government (the *separation of powers* relationship), the district courts and the ITC (the *vertical* relationship), and the regional circuits (the *horizontal* relationship).¹¹ In the federalism relationship, for example, the Federal Circuit has embraced an expansive jurisdiction over state-law tort claims, such as legal malpractice claims, that relate to patent prosecution or litigation. In the separation of powers relationship, the Federal Circuit has limited the PTO's authority and refused it the deference typically given to administrative agencies. And, in the vertical relationship, the Federal Circuit has refused appellate deference to district courts and the ITC on important matters, such as the interpretation of patent claims. Interestingly, in the horizontal relationship with the regional circuits, the Federal Circuit's power expansion has been more modest. While the court has expanded the scope of non-patent issues governed by Federal Circuit law (such as antitrust issues), many important issues in patent cases remain controlled by regional circuit law.

As a second contribution, the Article leverages this taxonomy to explore how judicial specialization affects court decision-making, filling a recognized gap in the literature on judicial behavior.¹² The Article suggests that specialized courts might, consciously or not, favor rules that exclude other institutions from shaping

¹⁰ See, e.g., Kumar, *supra* note ___. For an exception to the typical one-dimensional approach, see Rai, *supra* note ___, which studies the fact-finding and policymaking capabilities of the Federal Circuit, PTO, and district courts.

¹¹ The Federal Circuit's relationship with the Supreme Court is beyond the scope of this Article because it would require detailed study of each patent law doctrine addressed by the Supreme Court in recent years, of which there are many. That said, existing literature suggests that specialized courts might be resistant to Supreme Court authority, so this may be an interesting question for future study. See Lawrence Baum, *Specialization and Authority Acceptance: The Supreme Court and Lower Federal Courts*, 47 POL. RES. Q. 693, 701 (1994) (analyzing citation counts to suggest that the Supreme Court carried greater authority over the regional circuits than over the Court of Customs and Patent Appeals, a specialized court that Congress merged into the Federal Circuit in 1982).

¹² See Lawrence Baum, *Probing the Effects of Judicial Specialization*, 58 DUKE L.J. 1667, 1667 (2009) (“At present, understanding of [the] effects [of specialization on judicial decisions] is limited. Because of the potential importance of those effects, more concerted efforts by scholars to identify them would have great value.”).

the law within their domain. This power enhancement leads to what I call *judicial shape-shifting*, in which the specialized court effectively abandons its ordinary role (in the Federal Circuit's case, that of patent appellate court) to play roles usually performed by other institutions. For example, the Federal Circuit acts as a fact-finder when it refuses deference to lower court or agency interpretations of patent claims. And it acts as an agency administrator when it limits the ability of the PTO to issue substantive rules of patent law. This institutional behavior has serious consequences for technological innovation, as many current problems in patent law can be tied to judicial shape-shifting. De novo review of patent claim interpretation, for example, increases unpredictability in patent litigation, encouraging suits of questionable merit and ultimately increasing the costs of innovation. And the comparative weakness of the PTO may hamper the agency's ability to ensure the validity and clarity of the patents it issues.

In searching for the root of this shape-shifting conduct, it is tempting to analogize the specialized court to a power-hungry government agency. But this Article embraces a more refined view. In the Federal Circuit's case at least, an assortment of complex influences has arguably led the court to incrementally expand its authority. For example, Congress, in creating the Federal Circuit, gave the court a clear mandate to unify patent law and to provide expert adjudication in patent cases.¹³ These identities, I argue, lead the court to exclude institutions (like the PTO) from shaping patent law and to resist efforts of institutions (like district courts with patent-heavy dockets) to provide patent-law expertise. Also, the Federal Circuit is a singular institution; it is perhaps the most noteworthy exception to the American norm of geographic jurisdiction.¹⁴ Given its experimental nature, the court might seek to ensure its continued existence. It can do this by enhancing the importance of patent law generally (which it arguably has done by relaxing the standards for patentability) and by increasing the amount of work it has (which it has arguably tried to do by expanding its jurisdiction to encompass patent-related state-law tort claims).

Finally, drawing upon these insights about judicial decision-making, the Article considers how institutional dynamics might affect the Federal Circuit's non-patent litigants, like military veterans and government employees. Although further research on this topic is needed, the Article suggests that, on a semi-specialized court, there may be a stronger pull to enhance power in the relatively prestigious areas of the court's jurisdiction (such as patent law), which may in turn marginalize other areas. To cure any dangers of marginalization, the Article offers an alternative model of *limited specialization*, in which the Federal Circuit

¹³ See H.R. REP. NO. 97-312, at 20 (1981); S. REP. NO. 97-275, at 6 (1981).

¹⁴ See COMM'N ON STRUCTURAL ALTERNATIVES FOR THE FEDERAL COURTS OF APPEALS, FINAL REPORT 72 (1998) (commission chaired by Supreme Court Justice Byron White, noting that the Federal Circuit is "the most significant and innovative structural alteration in the federal intermediate appellate tier since its establishment").

would retain exclusive jurisdiction over patent law only and have the remainder of its docket filled with cases over which it would not have exclusive jurisdiction. This jurisdictional structure would have at least three potential benefits. First, it would allow patent law to remain as uniform as possible, which would preserve the purpose for which Congress created the court. Second, a steady non-patent docket of challenging, important cases would potentially curtail any incentive to maximize the importance of and the court's control over patent law. Finally, it would afford non-patent litigants, like veterans, an appellate forum free from the dangers of marginalization that I theorize in this Article.

The Article proceeds in six parts. Part I provides background on the Federal Circuit and reviews the literature on the causes and consequences of the current patent crisis. The next four parts identify and deconstruct the Federal Circuit's key inter-institutional relationships. Part II analyzes the federalism relationship and shows how the Federal Circuit has aggressively expanded its jurisdiction over claims created by state law. Part III deconstructs the separation of powers relationship, examining how the Federal Circuit has limited the ability of the political branches to shape the substance of patent law. Part IV studies the vertical relationship, showing how the Federal Circuit has limited the authority of district courts and the ITC by treating important issues as questions of law rather than of fact and by aggressively supervising discretionary procedural matters in patent litigation. Part V explores the horizontal relationship, demonstrating how the court has expanded the scope of legal issues governed by Federal Circuit law but has not completely eliminated regional circuit law from patent cases. Drawing upon these examples, Part VI analyzes the effects of specialization on judicial decision-making. While this analysis suggests that specialized courts might naturally expand their power at the expense of other institutions, it also suggests that the dynamics at play are nuanced, as shown by the different degrees of power enhancement in the different relationships identified. This Part also considers the potential for limited specialization to help solve the patent crisis by curbing unnecessary Federal Circuit power expansion. The Article concludes by outlining future research that could elaborate on and test the theoretical contribution of this Article.

I. THE FEDERAL CIRCUIT AND THE PATENT CRISIS

Despite its relatively narrow jurisdiction, the Federal Circuit is, in at least one respect, the most powerful court in the federal judicial system. It has the last word on nearly all important matters of patent law, an area of law that, for better or worse, is increasing in importance to American businesses and, consequentially, the economy as a whole.¹⁵ This Part sets the stage for a

¹⁵ See ADAM B. JAFFE & JOSH LERNER, *INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT* 10-18 (2004).

discussion of the Federal Circuit’s inter-institutional relationships by providing a primer on the court’s patent jurisdiction. It also provides an introduction to the current crisis in patent law and discusses how many problems might be linked to the institutional structure of the patent system.

A. Federal Circuit Patent Jurisdiction

Congress created the modern three-tier system of federal courts in 1891.¹⁶ For over one-hundred years, appeals in patent litigation followed the same track as all other federal district court cases: they were heard by the court of appeals for the geographic circuit encompassing the district court.¹⁷ But judicial specialization was not foreign to patent law. From 1909 until 1982, appeals from proceedings at the Patent and Trademark Office were heard by the Court of Customs and Patent Appeals (CCPA).¹⁸ The CCPA also heard appeals from the International Trade Commission, which has jurisdiction to prohibit importation of products that infringe U.S. patents.¹⁹

In 1982, Congress effectively ended this multi-forum system for patent appeals when it merged the CCPA with the appellate division of the U.S. Court of Claims to create the Federal Circuit.²⁰ Congress granted the Federal Circuit exclusive jurisdiction over three types of patent cases: (1) federal district court cases “arising under” the patent laws (typically, claims of patent infringement or claims seeking a declaratory judgment of patent invalidity), (2) appeals from proceedings within the PTO (typically, rejections of patent applications or disputes about which party is entitled to patent a particular invention), and (3) appeals from ITC investigations into whether imported products infringe U.S. patents.²¹

Proponents of centralizing patent appeals in the Federal Circuit relied upon what Lawrence Baum has called the three “neutral virtues” of specialization: promoting uniformity of the law, increasing the quality of decision-making,

¹⁶ Judiciary Act of 1891, ch. 517, 26 Stat. 826 (popularly known as the Evarts Act).

¹⁷ See 28 U.S.C. § 1294 (1976).

¹⁸ *Id.* § 1542; see GILES S. RICH, A BRIEF HISTORY OF THE UNITED STATES COURT OF CUSTOMS AND PATENT APPEALS 1 (1980).

¹⁹ See 19 U.S.C. § 1337.

²⁰ See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25. Congress created the Court of Claims in 1855 to hear non-tort claims against the federal government. Congress later split the court into a trial division staffed by Article I “commissioners” and an appellate division staffed by Article III judges. Upon the Federal Circuit’s creation, the trial division became what is now the U.S. Court of Federal Claims. See U.S. COURT OF FEDERAL CLAIMS, THE PEOPLE’S COURT 10 (n.d.), available at http://www.uscfc.uscourts.gov/sites/default/files/court_info/Court_History_Brochure.pdf.

²¹ See 28 U.S.C. § 1295(a).

and enhancing the efficiency of case disposition.²² For example, the legislative history of the Act that created the Federal Circuit, the Federal Courts Improvement Act of 1982, notes that disuniformity in patent law was encouraging “unseemly forum-shopping,”²³ that the Federal Circuit would provide “expertise in highly specialized and technical areas,”²⁴ and that the Act would remove “time-consuming [patent] cases from the dockets of the regional circuits.”²⁵

B. A Patent Crisis

Has the Federal Circuit successfully brought uniformity, quality, and efficiency to patent law? The literature addressing this question is rich, but the only certain answer is that no one agrees what the answer is. The court has been lauded for bringing uniformity to patent law,²⁶ but that acclaim is not unanimous.²⁷ Whether appellate patent law is uniform or not, forum shopping remains widespread in patent litigation because of drastic differences in district court practices and results.²⁸ As for the substance of patent law, Federal Circuit case law has often been criticized as too rule-oriented and formalistic,²⁹ sometimes precluding lower courts from adjusting patent law to account for differences among innovating industries.³⁰ But not all scholars view the Federal Circuit as overly formalist,³¹ and, in any event, debates over rules versus

²² LAWRENCE BAUM, SPECIALIZING THE COURTS 32-33 (2011).

²³ H.R. REP. NO. 97-312, at 20 (1981).

²⁴ S. REP. NO. 97-275, at 6 (1981) (internal quotation marks omitted).

²⁵ H.R. REP. NO. 97-312, at 22-23.

²⁶ See, e.g., Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 8-11 (1989).

²⁷ See, e.g., Christopher A. Cotropia, *Determining Uniformity within the Federal Circuit by Measuring Dissent and En Banc Review*, 43 LOYOLA L.A. L. REV. 801, 818 (2010); R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PA. L. REV. 1105, 1111-12 (2004).

²⁸ See Chester A. Chuang, *Offensive Venue: The Curious Use of Declaratory Judgment to Forum Shop in Patent Litigation*, 80 GEO. WASH. L. REV. 1065, 1072-79 (2012); Mark A. Lemley, *Where to File Your Patent Case*, 38 AIPLA Q.J. 1, 3-4 (2010); Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889, 907-23 (2001).

²⁹ See, e.g., Peter Lee, *Patent Law and the Two Cultures*, 120 YALE L.J. 2, 27 (2010); John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771, 792-93 (2003); see also *Control Res., Inc. v. Delta Elecs., Inc.*, 133 F. Supp. 2d 121, 124 (D. Mass. 2001) (Young, C.J.) (criticizing the Federal Circuit’s “emphasis . . . on the careful delineation of ever more explicit and detailed rules, a ‘patent code,’ if you will”).

³⁰ See Dan L. Burk & Mark A. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575, 1674 (2003).

³¹ See Tun-Jen Chiang, *Formalism, Realism, and Patent Scope*, 1 IP THEORY 88, 89 (2010); Lee Petherbridge, *Patent Law Uniformity?*, 22 HARV. J.L. & TECH. 421, 427-28 (2009); see also John M. Golden, *Patent Law’s Falstaff: Inevitable Conduct, the Federal Circuit, and*

standards or formalism versus realism tend to be endless at best³² and illusory at worst.³³

Despite these debates, there appears to be a consensus that the patent system as a whole needs improvement.³⁴ The Federal Circuit, most agree, has gradually lowered the standards for obtaining a patent,³⁵ and, since the court's creation, the number of patents issued annually has increased nearly fourfold (from about 58,000 in 1982 to about 225,000 in 2011).³⁶ The exploding number of patents makes it more difficult to check for potential infringement. Moreover, the scope of these patents is becoming increasingly difficult to decipher. The Federal Circuit has not demanded great specificity in the language of patent claims, and has permitted patents on matters often thought to be unpatentable, such as methods of doing business.³⁷ With a large number of patents of potentially broad scope, it is not surprising that the amount of patent litigation has significantly increased since the Federal Circuit's creation.³⁸ And this litigation is marred by its seeming unpredictability,³⁹ which might be traced in part to the Federal Circuit's de novo review of important (and often fact-driven) issues, such as the meaning of a patent's claims and the obviousness of a patented invention over then-existing technology.⁴⁰ The court's lack of deference manifests in unusually high reversal rates in patent cases,⁴¹ and unpredictability in patent litigation generally can provide incentives to obtain patents of questionable validity and to

Therasense, 7 WASH. J.L. TECH. & ARTS 353, 376 (2012) (lauding the court's recent landmark decision in *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1293-94 (Fed. Cir. 2011) (en banc) (see *infra* note __), for "explicitly cit[ing] real-world policy concerns").

³² See Carol M. Rose, *Crystals and Mud in Property Law*, 40 STAN. L. REV. 577, 610 (1988) (noting the "endless[]" debate over rules versus standards in property law).

³³ See BRIAN Z. TAMANAHA, BEYOND THE FORMALIST-REALIST DIVIDE: THE ROLE OF POLITICS IN JUDGING 3 (2010) (arguing that "[d]ebates about judging are routinely framed in terms of antithetical formalist-realist poles that jurists do not actually hold").

³⁴ See CHRISTINA BOHANNAN & HERBERT HOVENKAMP, CREATION WITHOUT RESTRAINT: PROMOTING LIBERTY AND RIVALRY IN INNOVATION xiv (2012).

³⁵ See, e.g., Matthew D. Henry & John L. Turner, *The Court of Appeals for the Federal Circuit's Impact on Patent Litigation*, 35 J. LEGAL STUD. 85, 90 (2006) (noting that, since the Federal Circuit was created, district courts have been roughly half as likely to issue a decision invalidating a patent and that the Federal Circuit has been nearly three times more likely to overturn a ruling of invalidity).

³⁶ See U.S. Patent Activity, Calendar Years 1790 to Present, U.S. PATENT & TRADEMARK OFFICE, http://www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm.

³⁷ See BESSEN & MEURER, *supra* note __, at 25, 56-58.

³⁸ See WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 348 (2003).

³⁹ See Colleen V. Chien, *Predicting Patent Litigation*, 90 TEX. L. REV. 283, 285 & n.9 (2011).

⁴⁰ See *infra* Part IV.A.

⁴¹ See, e.g., Field, *supra* note __, at 40 (finding the Federal Circuit's reversal rate in patent cases to be nearly double that of a sample of regional circuit cases).

assert infringement claims of questionable merit.

Some scholars have attributed these problems in the patent system to the Federal Circuit's monopoly on patent appeals, arguing that the system needs more "generalist" input, either from peer-level or superior appellate court decisions.⁴² Others have looked across the branches of the federal government, arguing that the executive branch should play a greater role in developing patent policy.⁴³ The remainder of this Article provides a unique contribution to this growing literature on patent institutions. By showing how the Federal Circuit has, in general, attempted to monopolize the development of substantive patent law, it raises questions about whether the court's semi-specialized jurisdiction might impede patent law reform.

II. FEDERAL CIRCUIT FEDERALISM

This Article identifies two of the Federal Circuit's four key relationships by looking to the central themes of the field of Federal Courts: judicial federalism (the subject of this Part) and separation of powers (the subject of the next Part).⁴⁴ The theme of judicial federalism considers "the respective competences of state and federal courts to adjudicate issues and award remedies in cases of joint state and federal interest."⁴⁵ After providing necessary doctrinal background on federal question jurisdiction, I show that the Federal Circuit has broadly interpreted the scope of exclusive federal jurisdiction over claims created by state law. In addition to effectively prohibiting state courts from hearing claims created by their own state's law, the Federal Circuit's broad conception of its jurisdiction conflicts with recent Supreme Court cases indicating that very few state-law claims are subject to federal question jurisdiction. At the institutional level, this analysis provides an introduction to several themes that will pervade the Article's discussion of power dynamics in patent law, such as the Federal Circuit's notion that general legal principles (like jurisdictional rules) often do not apply to patent cases and the court relying upon its charge to unify patent law to exclude other institutions from shaping patent law.

⁴² See Nard & Duffy, *supra* note __, at 1622; Rai, *supra* note __, at 1124-25; see also Golden, *supra* note __, at 661-62 (arguing that the Supreme Court's primary role in patent law should be to prevent "undesirable ossification of legal doctrine").

⁴³ See, e.g., Stuart Minor Benjamin & Arti K. Rai, *Who's Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269, 270-73 (2007); see also John F. Duffy, *The Federal Circuit in the Shadow of the Solicitor General*, 78 GEO. WASH. L. REV. 518, 543-44 (2010) (discussing the Solicitor General's success in obtaining certiorari and reversals of the Federal Circuit, and arguing that this dynamic has shifted power over patent law to the executive branch).

⁴⁴ See ERWIN CHERMERINSKY, *FEDERAL JURISDICTION* 33 (4th ed. 2003).

⁴⁵ Richard H. Fallon, Jr., *The Ideologies of Federal Courts Law*, 74 VA. L. REV. 1141, 1142 n.1 (1988).

A. Federal Question Jurisdiction, Generally

The general federal question statute provides that “[t]he district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.”⁴⁶ A separate provision grants the federal courts exclusive jurisdiction over cases “arising under” patent law.⁴⁷ The Supreme Court has made clear that a case arises under federal law only if, among other requirements, the federal question is sufficiently “substantial” or important to the dispute.⁴⁸

Claims that are actually created by federal law almost always raise substantial federal questions.⁴⁹ In addition, federal courts have long exercised jurisdiction over claims created by state law if the litigation will involve significant federal issues.⁵⁰ Only a handful of Supreme Court cases explore the jurisdictional rules governing these state-law claims raising so-called embedded federal questions.⁵¹ As discussed in detail in the next section, the Federal Circuit has held that any state-law claim that requires application of patent law raises a substantial federal question. Yet two recent Supreme Court cases strongly suggest that a question of *law* is required for federal jurisdiction to exist.

First, in 2005, the Court decided *Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing*,⁵² which the Wright and Miller treatise hails as the Court’s “finest effort” dealing with so-called embedded federal questions.⁵³ In *Grable*, the IRS had seized land owned by Grable to satisfy a federal tax delinquency. The IRS sold the land to Darue. Grable then brought a state-law quiet title action, claiming that Darue’s title was invalid because the IRS had

⁴⁶ 28 U.S.C. § 1331.

⁴⁷ *Id.* § 1338(a).

⁴⁸ 13D CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 3562 (3d ed. 2012).

⁴⁹ See *Am. Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) (Holmes, J.). The classic case holding that a federally created claim did not “arise under” federal law is *Shoshone Mining Co. v. Rutter*, 177 U.S. 505, 508 (1900), in which the Court rejected federal question jurisdiction over a mining-rights claim created by a federal statute because the statute made the claim turn upon local mining rules, customs, and state law.

⁵⁰ See *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 827 (2d Cir. 1964) (Friendly, J.) (noting that Holmes’s creation test “is more useful for inclusion than for the exclusion for which it was intended”).

⁵¹ RICHARD H. FALLON, JR. ET AL., HART & WECHSLER’S FEDERAL COURTS AND THE FEDERAL SYSTEM 785 (6th ed. 2009); see, e.g., *Merrell Dow Pharms. Inc. v. Thompson*, 478 U.S. 804, 812 (1986); *Franchise Tax Bd. of Cal. v. Construction Laborers Vacation Trust for S. Cal.*, 463 U.S. 1, 18-19 (1983); *Gully v. First Nat’l Bank*, 299 U.S. 109, 114-15 (1936); *Smith v. Kan. City Title & Trust Co.*, 255 U.S. 180, 199-201 (1921)

⁵² 545 U.S. 308 (2005).

⁵³ 13D WRIGHT ET AL., *supra* note ___, § 3562.

failed to notify Grable of the seizure in the manner required by the federal tax code.⁵⁴

The Supreme Court upheld federal jurisdiction over Grable’s state-law claim. The Court first noted that, over the past century, it had “sh[ie]d away from the expansive view that mere need to apply federal law in a state-law claim will suffice to open the ‘arising under’ door,” “confi[n]g federal-question jurisdiction over state-law claims to those that ‘really and substantially involv[e] a dispute or controversy respecting the validity, construction or effect of [federal] law.’”⁵⁵ The Court then offered three reasons for upholding federal jurisdiction over Grable’s state-law claim. First, “the meaning of the federal statute,” the notice provision of the tax code, was in dispute.⁵⁶ Second, the dispute over the statute’s meaning was “an important issue of federal law that sensibly belong[ed] in a federal court” because of the government’s interest in vindicating its tax-collection activity and because federal judges are experienced with tax law.⁵⁷ Finally, federal jurisdiction over cases like *Grable* would not upset any balance between federal and state judicial responsibilities “because it will be the rare state title case that raises a contested matter of federal law.”⁵⁸

One year later, in *Empire HealthChoice Assurance, Inc. v. McVeigh*, the Court rejected federal jurisdiction over a contract claim brought by Blue Cross Blue Shield (BCBS) against its insured, seeking to recover money the insured had recovered in a tort case against third party.⁵⁹ The case potentially presented a federal question because the insured was an employee of the federal government, and the insurance contract was issued under a master contract between BCBS and the federal government.⁶⁰ The Court, however, noted that the case did not fit the “special and small category” of state-law claims that arise under federal law.⁶¹ It distinguished *Grable* because that case “presented a nearly ‘pure issue of law,’ one ‘that could be settled once and for all and thereafter would govern numerous tax sale cases.’”⁶² By contrast, the claim in *Empire* was “fact-bound and

⁵⁴ *Grable*, 545 U.S. at 310-11.

⁵⁵ *Id.* at 313 (quoting *Shulthis v. McDougal*, 225 U.S. 561, 569 (1912)) (alterations in original).

⁵⁶ *Id.* at 315.

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ 547 U.S. 677, 683 (2006).

⁶⁰ *See id.* at 688-89.

⁶¹ *Id.* at 699.

⁶² *Id.* at 700.

situation-specific.”⁶³ Thus, it could not “be squeezed into the slim category *Grable* exemplifies.”⁶⁴

A few guiding principles emerge from this discussion. First, the class of state-law claims over which federal question jurisdiction exists is small.⁶⁵ Second, the jurisdictional analysis must consider “future effects—that is, the number of similar filings in federal court.”⁶⁶ Third, the federal issue should have wider importance than the case at hand.⁶⁷ To this end, *Grable* and *Empire* strongly suggest that the case should present a pure question of federal law, and not merely require application of federal law to facts.⁶⁸ Finally, the entire analysis should be conducted with an eye toward any disruption of balance between state and federal judicial responsibilities.⁶⁹

B. The Federal Circuit as a State Court

Section 1338(a) of the judicial code grants the federal district courts exclusive jurisdiction over claims and—unlike under the well-pleaded complaint rule

⁶³ *Id.* at 701.

⁶⁴ *Id.*

⁶⁵ See Christopher G. Wilson, Note, *Embedded Federal Questions, Exclusive Jurisdiction, and Patent-Based Malpractice*, 51 WM. & MARY L. REV. 1237, 1239 (2009).

⁶⁶ *Id.* at 1251.

⁶⁷ See Lonny S. Hoffman, *Intersections of State and Federal Power: State Judges, Federal Law, and the “Reliance Principle,”* 81 TUL. L. REV. 283, 300 (2006).

⁶⁸ See Wilson, *supra* note __, at 1259. Numerous federal appellate courts have recognized this point. See, e.g., *Adventure Outdoors, Inc. v. Bloomberg*, 552 F.3d 1290, 1300 (11th Cir. 2008) (“To be sure, the jury would have to apply federal law to reach its decision. But as the Supreme Court explained in *Grable*, the federal courts have rejected the ‘expansive view that mere need to apply federal law in a state-law claim will suffice to open the ‘arising under’ door.” (quoting *Grable*, 545 U.S. at 313)); *Williston Basin Interstate Pipeline Co. v. Exclusive Gas Storage Leasehold & Easement in the Cloverly Subterranean Geological Formation*, 524 F.3d 1090, 1102 (9th Cir. 2008) (rejecting federal jurisdiction where the court would not need to “resolve a disputed provision of the [Natural Gas Act] in order to resolve [the plaintiff’s] state law conversion or negligence claims”); *Mikulski v. Centerior Energy Corp.* 501 F.3d 555, 574 (6th Cir. 2007) (“The state court in which the . . . suit was lodged is competent to apply federal law, to the extent it is relevant, and would seem [suitably] positioned to determine the application of § 312(n)(1) in the present case.” (internal quotation marks omitted)); *Bennett v. Sw. Airlines Co.* 484 F.3d 907, 910 (7th Cir. 2007) (rejecting federal jurisdiction where the case presented “a fact-specific application of rules that come from both federal and state law rather than a context-free inquiry into the meaning of a federal law”); see also Richard D. Freer, *Of Rules and Standards: Reconciling Statutory Limitations on “Arising Under” Jurisdiction*, 82 IND. L.J. 309, 337 (2007) (arguing that “[l]itigation focusing purely on factual issues concerning federal law” presents a “less compelling” case for federal jurisdiction); cf. *Bender v. Jordan*, 623 F.3d 1128, 1130-31 (D.C. Cir. 2010) (upholding federal jurisdiction where the case involved a “nearly pure issue of federal law . . . [a]nd the parties’ legal duties turn[ed] almost entirely on the proper interpretation of that regulation”).

⁶⁹ See *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 313-14 (2005).

applicable to the general federal question statute—counterclaims “arising under” the patent laws.⁷⁰ Section 1295(a)(1) grants the Federal Circuit exclusive appellate jurisdiction over that same class of cases.⁷¹ For the sake of “[l]inguistic consistency,” the Supreme Court has held that the “arising under” language of the patent-specific jurisdictional statutes should be interpreted identically to the general federal question statute, § 1331. So, exclusive jurisdiction under §§ 1295(a)(1) and 1338(a) extends to cases in which (a) *patent law* creates the claim or (b) the claim “necessarily depends on resolution of a substantial question of federal *patent law*.”⁷²

Before *Grable* and *Empire*, the Federal Circuit held that state-law claims arose under patent law if the claims would require proof of patent validity, enforceability, or infringement.⁷³ For example, in *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, the court held that it had jurisdiction over a state-law claim of injurious falsehood because the case turned on whether the defendant correctly represented that its patents were valid and enforceable.⁷⁴ Similarly, in *Additive Controls & Measurement Systems, Inc. v. Flowdata, Inc.*, the court held that federal jurisdiction existed over a state-law claim of business disparagement because the case turned on whether the plaintiff’s product infringed the defendant’s patent.⁷⁵ *Grable* and *Empire* called cases like *Hunter Douglas* and *Additive Controls* into doubt because the patent-related state law claims did not present pure issues of patent law, they merely required the application of patent law to particular factual circumstances. But rather than cabin the scope of its authority over state-created claims, the Federal Circuit has, in the past five years, expanded it, most notably in the context of state-law claims for legal malpractice.

Embedded federal issues are common in malpractice litigation because of the causation requirement usually imposed by the relevant state’s law. The plaintiff is required, in most cases, to prove that, but for the attorney’s error, the plaintiff

⁷⁰ 28 U.S.C. § 1338(a) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents”). The well-pleaded complaint rule requires the federal aspect to be in the plaintiff’s claim, not in a defense or counterclaim. See *Louisville & Nashville R.R. Co. v. Mottley*, 211 U.S. 149, 152 (1908).

⁷¹ 28 U.S.C. § 1295(a)(1) (granting the Federal Circuit “exclusive jurisdiction of an appeal from a final decision of a district court of the United States . . . in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents”).

⁷² *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988) (emphasis added).

⁷³ See generally Christopher A. Cotropia, “*Arising Under*” Jurisdiction and Uniformity in Patent Law, 9 MICH. TELECOMM. & TECH. L. REV. 253, 277-79 (2003).

⁷⁴ 153 F.3d 1318, 1329 (Fed. Cir. 1998).

⁷⁵ 986 F.2d 476, 478-79 (Fed. Cir. 1993).

would have been successful, or would have enjoyed greater success, in the underlying matter.⁷⁶ If the underlying matter was patent litigation or patent prosecution, this “case within a case” will raise questions such as: Would the plaintiff have won its infringement suit but for the attorney’s negligence? Would the PTO have issued a patent, or a patent with different claims, had the attorney not been negligent?

Until the mid-1990s, “malpractice suits against patent attorneys were,” according to one commentator, “virtually unknown.”⁷⁷ When these cases did arise, state courts usually resolved them.⁷⁸ But some courts disagreed.⁷⁹ One of the earliest district court decisions to find exclusive federal jurisdiction over a state malpractice claim was *Air Measurement Technologies v. Hamilton*.⁸⁰ In that case, the plaintiffs alleged that errors by their attorney forced them to settle infringement litigation below market value because the infringement defendants were able to raise defenses that would not have existed without their attorney’s errors.⁸¹ Consistent with *Hunter Douglas* and *Additive Controls*, the court reasoned that, under Texas law, the plaintiffs would be required to prove that they would have had a valid infringement claim and that the infringement defendants could not have established defenses to patent validity or enforceability.⁸²

Amid this growing tension, the Federal Circuit asserted federal jurisdiction over patent-related malpractice claims in 2007, in two decisions issued on the same day. The first case was *Air Measurement*.⁸³ The Federal Circuit upheld federal jurisdiction because, as part of the case within a case, “the district court [would] have to adjudicate, hypothetically, the merits of [an] infringement claim” untainted by the attorney’s alleged negligence.⁸⁴ The court contended that “*Grable* did not hold that only state law claims that involve constructions of federal statute [*sic*] or pure questions of law belonged in federal court.”⁸⁵ Rather,

⁷⁶ See 1 RONALD E. MALLIN & JEFFREY M. SMITH, LEGAL MALPRACTICE § 8:5 (2012).

⁷⁷ A. Samuel Oddi, *Patent Attorney Malpractice: An Oxymoron No More*, 2004 U. ILL. J.L. TECH. & POL’Y 1, 2.

⁷⁸ 4 MALLIN & SMITH, *supra* note __, § 31:7; see, e.g., *New Tek Mfg., Inc. v. Beehner*, 702 N.W.2d 336, 346 (Neb. 2005).

⁷⁹ See generally Micheal Ena, Comment, *Jurisdictional Issues in the Adjudication of Patent Law Malpractice Cases in Light of Recent Federal Circuit Decisions*, 19 FORDHAM INTELL. PROP. & ENT. L.J. 219, 241-47 (2008) (summarizing early jurisdictional case law).

⁸⁰ No. SA-03-CA-0541-RF, 2003 WL 22143276 (W.D. Tex. Sept. 5, 2003).

⁸¹ *Id.* at *1.

⁸² *Id.* at *2.

⁸³ *Air Measurement Techs. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262 (Fed. Cir. 2007).

⁸⁴ *Id.* at 1269.

⁸⁵ *Id.* at 1272.

the court emphasized the “strong federal interest” in adjudicating this claim in federal court “because patents are issued by a federal agency” and “federal judges . . . have experience in claim construction and infringement matters.”⁸⁶

The same day, in *Immunocept LLC v. Fulbright & Jaworski, LLP*, the court held that malpractice cases involving determinations of the scope of patent claims also arise under federal law.⁸⁷ The alleged act of malpractice in *Immunocept* was the attorney’s use of the transitional phrase “consisting of” in one of the patent’s claims, which would allow competitors to avoid infringement by simply adding an additional element to their device.⁸⁸ The main point of dispute did not appear to be the legal implication of that phrase (which is well-settled), but rather the factual question of whether use of the phrase was a mistake.⁸⁹ Regardless, the court ruled that the case arose under patent law because the plaintiff could not prevail “without addressing claim scope.”⁹⁰ The court relied heavily on its own pre-*Grable* decisions and emphasized that “Congress’ intent to remove non-uniformity in the patent law,” as evidenced by its creation of the Federal Circuit, was “further indicium” that federal jurisdiction was proper.⁹¹

The court’s reasoning in *Air Measurement* and *Immunocept* is questionable. As discussed, the Supreme Court has strongly suggested that federal jurisdiction requires a disputed question of federal law. But *Air Measurement* required the court merely to *apply* patent law standards of validity and infringement, and *Immunocept* seemed to turn entirely on a factual dispute about what, exactly, the client sought to patent. Moreover, from a federalism perspective, it is hard to see a substantial federal interest in these state-law claims. In *Air Measurement*, for example, the infringement analysis focused on patent claims that the PTO never issued. In other words, the infringement inquiry was entirely hypothetical. And, in *Immunocept*, it did not appear that the parties disputed the legal meaning of the patent claims.

Of course, as the Federal Circuit emphasized, the court’s mere existence suggests a federal interest in uniform articulation of patent law and adjudication of patent disputes. But state court jurisdiction over malpractice cases would not

⁸⁶ *Id.*

⁸⁷ 504 F.3d 1281, 1283 (Fed. Cir. 2007).

⁸⁸ *See id.* at 1283; *see also* Vehicular Techs. Corp. v. Titan Wheel Int’l, 212 F.3d 1377, 1382 (Fed. Cir. 2000) (“The phrase ‘consisting of’ is a term of art in patent law signifying restriction and exclusion . . . [A] drafter uses the phrase ‘consisting of’ to mean ‘I claim what follows and nothing else.’”).

⁸⁹ *See Immunocept*, 504 F.3d at 1285 (“Because it is the sole basis of negligence, the claim drafting error is a necessary element of the malpractice cause of action. . . . The parties, however, dispute whether there was a drafting mistake.”).

⁹⁰ *Id.* at 1285.

⁹¹ *Id.* at 1285-86.

cause disuniformity. Even if a state-law malpractice case involves patent claims that are not merely hypothetical, a state court decision will have no precedential effect on federal patent law. Also, it would be nearly impossible for the case within a case to have preclusive effect in infringement litigation because any infringement litigation will likely be complete (hence, the malpractice suit by the client who obtained an unsatisfactory result).⁹² Moreover, these cases represent a substantial displacement of state authority in an area traditionally regulated by the states—attorney conduct. The Federal Circuit’s expansion of federal authority may have distributive consequences, too, for commentators have suggested that it is malpractice plaintiffs who prefer state court, while defendant attorneys prefer federal court.⁹³ What is more, the federal jurisdiction asserted by the Federal Circuit is *exclusive*, meaning that development of these state-created claims will now occur solely in federal court. In short, the purpose of federal jurisdiction over state-law claims raising embedded federal issues is to protect strong federal interests, such as uniform *interpretation* of federal law. But federal jurisdiction over state-law claims that require—at most—*application* of patent law does not fit that bill.

Nevertheless, in numerous cases since *Air Measurement* and *Immunocept*, the Federal Circuit has upheld federal jurisdiction over malpractice claims that require application of patent law. For example, the court has held that a malpractice claim based on a lawyer’s failure to obtain a patent falls within federal jurisdiction because the court would have to determine if the plaintiff’s invention was indeed patentable.⁹⁴

⁹² To be sure, a subsequent infringement defendant could rely upon the judgment in the original infringement litigation as preclusive against the patent holder, *see* *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 329 (1971), but it is difficult to fathom any additional preclusive relevance from the *malpractice* litigation.

⁹³ *See* A. Samuel Oddi, *Patent Attorney Malpractice: Case-Within-a-Case-Within-a-Case*, 6 AKRON INTELL. PROP. J. 71, 134 (2012).

⁹⁴ *Davis v. Brouse McDowell, LPA*, 596 F.3d 1355, 1360 (Fed. Cir. 2010); *accord* *Minkin v. Gibbons, P.C.*, 680 F.3d 1341, 1347 (Fed. Cir. 2012) (upholding federal jurisdiction where plaintiff was “required to establish that, but for attorney negligence, he would have obtained valid claims of sufficient scope that competitors could not easily avoid”); *Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP*, 676 F.3d 1354, 1360 (Fed. Cir. 2012) (“Because the underlying question here is whether Landmark would have been able to achieve patent protection for its invention absent the alleged malpractice, there is a substantial question of patent law”); *USPPS, Ltd. v. Avery Dennison Corp.*, 676 F.3d 1341, 1346 (Fed. Cir. 2012) (upholding Federal Circuit jurisdiction where the plaintiff-client alleged that “the defendants’ malfeasance caused it to be denied a patent” because, to recover damages, the plaintiff would be required to prove that “its invention was patentable over the prior art”); *Byrne v. Wood, Herron & Evans, LLP*, 450 F. App’x 956, 960-61 (Fed. Cir. 2011) (upholding federal jurisdiction where plaintiff sought to prove that the PTO would have issued the patent without a particular limitation); *Touchcom, Inc. v. Bereskin & Parr*, 574 F.3d 1403, 1413 (Fed. Cir. 2009) (upholding federal jurisdiction where the plaintiff was “required to show that, had [the defendants] not omitted a portion of the source code from its

C. Jurisdictional Expansion and Institutional Dynamics

The Federal Circuit's assertion of exclusive jurisdiction has caused lower courts to react in three different ways. First, many (if not most) courts have simply acquiesced in the Federal Circuit's expansion of federal power. Lower federal courts have assumed jurisdiction over state-law claims involving hypothetical patents and hypothetical infringement claims,⁹⁵ and state courts have ceded jurisdiction over such claims to the federal courts.⁹⁶ Second, a smaller number of courts have created (sometimes questionable) factual distinctions to avoid exclusive federal jurisdiction, reasoning, for example, that the inquiry into patent validity will turn on whether and why the attorneys missed deadlines (which are, incidentally, set by federal law), rather than on whether the invention met the substantive requirements of patentability (novelty, nonobviousness, adequate disclosure, and so on).⁹⁷ Finally, a few courts have simply refused to

application, the resulting U.S. patent would not have been held invalid"); *see also* *Carter v. ALK Holdings, Inc.*, 605 F.3d 1319, 1324-25 (Fed. Cir. 2010) (holding that a breach of fiduciary duty claim based upon violations of PTO regulations arose under federal law).

⁹⁵ *See, e.g.*, *Max-Planck-Gesellschaft Zur Foerderung Der Wissenschaften E.V. v. Wolf Greenfield & Sacks, PC*, 661 F. Supp. 2d 125, 129-30 (D. Mass. 2009); *LaBelle v. McGonagle*, No. 07-12097-GAO, 2008 WL 3842998, at *2 (D. Mass. Aug. 15, 2008); *Chopra v. Townsend, Townsend & Crew LLP*, No. 07-cv-02447-MSK-MEH, 2008 WL 413944, at *2 (D. Colo. Feb. 13, 2008); *see also* *USPPS, Ltd. v. Avery Dennison Corp.*, 647 F.3d 274, 280 (5th Cir. 2011) (transferring breach of fiduciary duty case to the Federal Circuit, reasoning that the plaintiff "cannot prove causation without proving the patentability of its invention").

⁹⁶ *See, e.g.*, *Minton v. Gunn*, 355 S.W.3d 634 (Tex. 2011); *Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP*, 183 Cal. App. 4th 238 (2010); *Lemkin v. Hahn, Loeser & Parks L.L.P.*, No. 09AP-1051 (Ohio App. May 11, 2010); *Lockwood v. Sheppard, Mullin, Richter & Hampton*, 173 Cal. App. 4th 675 (2009); *Premier Networks, Inc. v. Stadheim & Grear, Ltd.*, 918 N.E.2d 1117, 1123 (Ill. App. 2009); *TattleTale Portable Alarm Sys., Inc. v. Calfee, Halter & Griswold, L.L.P.*, No. 08AP-693, 2009 WL 790314 (Ohio App. Mar. 26, 2009); *see also* 4 MALLEY & SMITH, *supra* note __, § 31:7 (noting that "[m]ost state courts have purported to follow the Federal Circuit's reasoning"); *Oddi, supra* note __, at 117-28 (citing additional authority).

⁹⁷ *Genelink Biosciences, Inc. v. Colby*, 722 F. Supp. 2d 592, 600 (D.N.J. 2010). For another example of a questionable distinction, *see E-Pass Techs., Inc. v. Moses & Singer, LLP*, 189 Cal. App. 4th 1140, 1150 (2010), distinguishing cases upholding federal jurisdiction on the ground that, in those cases, the plaintiff had to "prove what the proper outcome of the federal litigation should have been" whereas in *E-Pass*, the plaintiff only had to prove that "there was no reasonable possibility of prevailing in the federal action." *See also Roof Tech. Servs., Inc. v. Hill*, 679 F. Supp. 2d 749, 751-53 & n.2 (N.D. Tex. 2010) (in a case decided before *Davis*, rejecting jurisdiction over state law claims based on an attorney's failure to obtain patents). Other frequent grounds of distinction include pointing out alternative, non-patent theories that would permit recovery, *see, e.g.*, *Danner, Inc. v. Foley & Lardner, LLP*, No. CV09-1220-JE, 2010 WL 2608294, at *3-4 (D. Or. June 23, 2010); *Eddings v. Glast, Phillips & Murray*, No. 3:07-CV-1512-L, 2008 WL 2522544, at *5 (N.D. Tex. June 25, 2008); *see also ClearPlay, Inc. v. Abecassis*, 602 F.3d 1364, 1368 (Fed. Cir. 2010) (transferring to the Eleventh Circuit a case involving various state-law claims because each claim contained a "theory of relief that would not require resolution of a patent law issue"), noting that any patent issue is not "disputed," *see, e.g.*, *Magmetek, Inc. v.*

follow the Federal Circuit, rejecting the notion that the mere need to apply patent law raises a substantial federal question.

An example of the latter approach is *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*⁹⁸ In that case, Warrior alleged that, but for its attorneys' negligence during patent prosecution and failure to pay a maintenance fee, Warrior would have obtained a better result in an infringement suit.⁹⁹ The district court refused to follow *Air Measurement* and *Immunocept*, writing that “[w]hile the Federal Circuit appears to have no reservations about exercising its power over underlying patent issues as leverage to reach purely state-law causes of action, this Court remains wary of such an open-ended analysis of federal jurisdiction.”¹⁰⁰ The court observed that *Grable* made clear that “there is no single, precise, all-embracing, test for jurisdiction over federal issues embedded in state-law claims,” but that “the Federal Circuit appears to impose precisely such an all-embracing test, effectively aggregating even greater swaths of state-law claims into its jurisdictional sweep.”¹⁰¹

Although the Federal Circuit's expansion of federal power has wrought discord, the court has shown little interest in revisiting its jurisdictional case law. For example, Judge Dyk, concurring in the denial of rehearing en banc on the jurisdictional issue, defended the court's decisions by arguing that the “serious federal interest” required by *Grable* is “ensuring that federal patent law questions are correctly and uniformly resolved . . . , even when the patent law issue is case-

Kirkland & Ellis, LLP, 954 N.E.2d 803 (Ill. App. 2011); *see also* Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc., 599 F.3d 1277, 1283 (Fed. Cir. 2010) (transferring to the Tenth Circuit a breach-of-license case because the underlying question of infringement was not disputed), and emphasizing that the case involves failure to secure patent rights in a foreign country, *see, e.g.*, *Antiballistic Sec. & Protection, Inc. v. Baker, Donelson, Bearman, Caldwell & Berkowitz, PC*, 789 F. Supp. 2d 90 (D.D.C. 2011); *Revolutionary Concepts, Inc. v. Clements Walker PLLC*, No. 08 CVS 4333, 2010 WL 877508, at *6 (N.C. Super. Ct. Mar. 9, 2010).

⁹⁸ 666 F. Supp. 2d 749, 750 (E.D. Mich. 2009), *vacated*, 631 F.3d 1367 (Fed. Cir. 2011).

⁹⁹ *Warrior Sports*, 631 F.3d at 1369.

¹⁰⁰ *Warrior Sports*, 666 F. Supp. 2d at 751 (citations omitted).

¹⁰¹ *Id.* at 751-52. On appeal, the Federal Circuit vacated the dismissal order. *Warrior Sports*, 631 F.3d at 1372. The district court, however, was not alone in voicing concerns about the Federal Circuit's expansion of power. *See, e.g.*, *Singh v. Duane Morris LLP*, 538 F.3d 334, 340 (5th Cir. 2008) (declining to follow *Air Measurement* in a trademark case, noting that the Federal Circuit did not consider “the federal interest” in the case and “the effect on federalism” of assuming jurisdiction, as required by *Grable*); *New Tek Mfg., Inc. v. Beehner*, 751 N.W.2d 135, 144 (Neb. 2008) (“We reiterate our determination in *New Tek I* [see *supra* note ___], that this professional malpractice case arises entirely under state law, and conclude that we do have subject matter jurisdiction over the claim.”); *see also* *Minton v. Gunn*, 355 S.W.3d 634, 652 (Tex. 2011) (Guzman, J., dissenting) (“[U]nder the Federal Circuit's approach, the federalism element is simply an invocation of the need for uniformity in patent law.”).

specific.”¹⁰² Yet, as Judge O’Malley pointed out in dissent in the same case, the view that the mere need to apply federal law establishes federal question jurisdiction is “out of step with . . . other federal and state courts” and is inconsistent with *Grable and Empire*.¹⁰³

While the court’s jurisdictional case law is on a doctrinal collision course with recent Supreme Court decisions, it also introduces five institutional themes that will recur throughout this Article and that are important to analyzing judicial behavior on a specialized or, like the Federal Circuit, semi-specialized, court. First, these cases illustrate what has been called patent law or Federal Circuit *exceptionalism*. This refers to the Federal Circuit’s tendency to insist that general legal principles (here, jurisdictional standards), do not apply in patent cases because patent law is “different.” The Supreme Court has rejected patent law exceptionalism in other areas, such as declaratory judgment standing,¹⁰⁴ remedies for patent infringement,¹⁰⁵ and, as I will show in the next Part, review of administrative agencies.

Second, by asserting exclusive jurisdiction over patent-related state-law claims, the Federal Circuit has solidified its position as *the patent court*, excluding other institutions (here, state courts) from developing any law that might be related to patents. As I will discuss below, the Federal Circuit has similarly excluded the PTO from promulgating substantive rules of patent law, and has resisted efforts by trial courts to develop patent-law expertise.

Third, exclusive federal jurisdiction over state-law malpractice claims increases the number of patent cases on the Federal Circuit’s docket. (It has decided at least ten malpractice cases in the past five years.) The court has also developed many other doctrines that should encourage appellate patent litigation. For example, the court reviews de novo lower courts’ fact-driven determination of

¹⁰² *Byrne v. Wood, Herron & Evans, LLP*, 676 F.3d 1024, 1026 (Fed. Cir. 2012) (Dyk, J., concurring in denial of rehearing en banc).

¹⁰³ *Id.* at 1033 (O’Malley, J., dissenting from denial of rehearing en banc) (citing, inter alia, *Adventure Outdoors, Inc. v. Bloomberg*, 552 F.3d 1290 (11th Cir. 2008); *Singh v. Duane Morris LLP*, 538 F.3d 334 (5th Cir. 2008); *Mikulski v. Centerior Energy Corp.*, 501 F.3d 555 (6th Cir. 2007) (en banc); *Bennett v. Sw. Airlines Co.*, 484 F.3d 907 (7th Cir. 2007)). Judge O’Malley has repeatedly voiced her displeasure with this line of cases. See *Minkin v. Gibbons, P.C.*, 680 F.3d 1341 (Fed. Cir. 2012) (O’Malley, J., concurring); *Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP*, 676 F.3d 1354 (Fed. Cir. 2012) (O’Malley, J., concurring); *USPPS, Ltd. v. Avery Dennison Corp.*, 676 F.3d 1341 (Fed. Cir. 2012) (O’Malley, J., concurring); *Byrne v. Wood, Herron & Evans, LLP*, 450 F. App’x 956 (Fed. Cir. 2011).

¹⁰⁴ *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 & n.11 (2007).

¹⁰⁵ See *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391-92 (2006). See generally Paul R. Gugliuzza, *Veterans Benefits in 2010: A New Dialogue Between the Supreme Court and the Federal Circuit*, 60 AM. U. L. REV. 1201, 1220 (2011) (discussing Federal Circuit exceptionalism in both patent and non-patent cases).

the meaning of patent claims. Interestingly, however, the Federal Circuit's per judge caseload remains smaller than nearly every other circuit's.¹⁰⁶ This paradox illustrates the nuance that must be addressed by any analysis of judicial behavior on the court, and also makes clear the difficulty of constructing a comprehensive model of such behavior.

Fourth, the federalism relationship provides an initial example of judicial shape-shifting. The Federal Circuit is (obviously), a federal appellate court with exclusive jurisdiction over patent appeals. Yet, by asserting broad, exclusive jurisdiction over state-created claims, the court assumes a role typically played by state courts, shaping the contours of state tort law.

Finally, the court's jurisdictional case law illustrates a common justification the court offers for displacing the authority of other institutions: that patent law must be kept uniform. To be sure, uniformity was a major reason Congress created the court. But the repeated emphasis on uniformity (for example, the court has also used uniformity to justify its unusually searching review of trial court decisions) raises questions about whether the court's drive to carry out that mission distorts other goals the court might reasonably seek, like allowing for industry-specific adjustment of patent law, enhancing efficiency of the litigation process, or, in the specific case of malpractice claims, permitting state courts to develop their own state law governing attorney conduct.

III. SEPARATION OF POWERS AT THE FEDERAL CIRCUIT

Just as the Federal Circuit has embraced a broad role for itself (and the lower federal courts) vis-à-vis the state courts, the Federal Circuit has also embraced a robust role for itself vis-à-vis the other branches of the federal government. This implicates a second strand of Federal Courts theory: separation of powers.¹⁰⁷ To understand the dynamics of the separation of powers relationship, this Part first looks to the Federal Circuit's administrative law doctrine, focusing on how the court has curtailed the ability of the Patent and Trademark Office to shape substantive patent law, acting as the agency administrator itself.¹⁰⁸ It then examines ways in which the executive branch, with some success, pushes back against the Federal Circuit. Finally, this Part completes the separation of powers analysis by exploring some surprising ways in which the Federal Circuit has potentially thwarted efforts by Congress to reform aspects of the patent system. In this way, the court plays yet another role, that of a legislature.

¹⁰⁶ See *infra* Part VI.A.

¹⁰⁷ CHEMERINSKY, *supra* note ___, at 33.

¹⁰⁸ For a comprehensive treatment of the Federal-Circuit-as-administrative-agency analogy, see Sapna Kumar, *The Accidental Agency?*, 65 FLA. L. REV. (forthcoming 2012-13), available at <http://ssrn.com/abstract=1963273>.

A. The Federal Circuit as PTO Administrator

Generally speaking, the PTO is a “weak” administrative agency with little power to shape substantive patent law.¹⁰⁹ This section deconstructs the Federal Circuit’s power over the PTO, discussing four specific ways in which the Federal Circuit has narrowed the authority of the PTO and filled the vacant policy space with its own case law.¹¹⁰ This dynamic impedes the development of substantive patent law from other institutional perspectives, leaving patent law relatively uniform, but potentially insular.

1. Denial of Substantive Rulemaking Authority

The first way in which the Federal Circuit has enhanced its own power is by denying that the PTO has any substantive rulemaking authority. By statute, some administrative agencies have broad power to promulgate rules that carry out their organic statute and that are in the public interest.¹¹¹ Congress has never given the PTO such sweeping authority to implement the Patent Act. By statute, the PTO is “responsible for the granting and issuing of patents,” “subject to the policy direction of the Secretary of Commerce.”¹¹² The Patent Act also gives the PTO authority to, among other things, “establish regulations, not inconsistent with law, which shall govern the conduct of proceedings in the Office.”¹¹³

Seizing on these narrow grants of authority, the Federal Circuit has insisted that the Patent Act gives the PTO no power to promulgate substantive rules. The Federal Circuit’s restrictive approach traces its roots to *Animal Legal Defense Fund v. Quigg*.¹¹⁴ In that case, various plaintiffs challenged the legality of a notice issued by the PTO, which stated that the agency “now considers non-naturally occurring, non-human multicellular organisms, including animals, to be patentable.”¹¹⁵ The plaintiffs’ primary argument was that PTO had violated the

¹⁰⁹ See John M. Golden, *Patentable Subject Matter and Institutional Choice*, 89 TEX. L. REV. 1041, 1051 (2011).

¹¹⁰ This is not to say that these are the only four ways in which the Federal Circuit has narrowed the PTO’s authority. See Nard, *supra* note __, at 1508 (arguing, among other things, that the Federal Circuit incorrectly characterizes the PTO’s decision on patentability as a question of law).

¹¹¹ See, e.g., 47 U.S.C. § 201(b) (empowering the Federal Communications Commission to “prescribe such rules and regulations as may be necessary in the public interest to carry out the provisions of this chapter”); see also Sarah Tran, *Policy Tailors and the Rookie Regulator*, 46 U.C. DAVIS L. REV. (forthcoming 2012-13) (manuscript at 14 & n.43), available at <http://ssrn.com/abstract=2031653> (providing additional examples).

¹¹² 35 U.S.C. § 2(a)(1).

¹¹³ *Id.* § 2(b)(2)(A).

¹¹⁴ 932 F.2d 920 (Fed. Cir. 1991).

¹¹⁵ *Id.* at 922.

Administrative Procedure Act (APA) by issuing a substantive, legislative rule without offering the notice-and-comment period required by the APA.¹¹⁶ The Federal Circuit rejected the challenge, holding that, because the notice was based squarely on a prior Supreme Court ruling, it set forth an interpretive rule that was not subject to notice-and-comment requirements.¹¹⁷ The plaintiffs had argued that the rule was legislative because the PTO issued it under its statutory authority to “establish regulations” to “govern the conduct of proceedings” at the PTO.¹¹⁸ The court rejected this argument, however, noting that “[a] substantive declaration with regard to the Commissioner’s interpretation of the patent statutes . . . does not fall within the usual interpretation of [that] statutory language.”¹¹⁹

In *Merck & Co. v. Kessler*, the court solidified the prohibition on PTO substantive rulemaking.¹²⁰ The issue in *Merck* was whether the PTO was entitled to *Chevron* deference for its interpretation of patent term extension provisions in two federal statutes.¹²¹ The Federal Circuit held that the PTO was not entitled to deference, noting (with an emphatic use of capitalization) that “only statutory interpretations by agencies WITH RULEMAKING POWERS deserve substantial deference” and that “[a]s we have previously held, the broadest of the PTO’s rulemaking powers . . . authorizes the Commissioner to promulgate regulations directed only to the conduct of proceedings in the [PTO]; it does NOT grant the Commissioner the authority to issue substantive rules.”¹²² Over the past fifteen years, the Federal Circuit has continued to cite *Merck* to support decisions that reject the PTO’s ability to shape substantive patent law.¹²³

¹¹⁶ *Id.* at 924; *see also* 5 U.S.C. § 553(b) (requiring “notice of proposed rulemaking [to] be published in the Federal Register,” but excepting “interpretative rules, general statements of policy, [and] rules of agency organization, procedure, or practice”).

¹¹⁷ *Animal Legal*, 932 F.2d at 928; *see* *Diamond v. Chakrabarty*, 447 U.S. 303, 310 (1980) (holding a non-naturally occurring microorganism to be patentable).

¹¹⁸ *See id.* at 930.

¹¹⁹ *Id.*

¹²⁰ 80 F.3d 1543 (Fed. Cir. 1996).

¹²¹ *See id.* at 1548-49; *see also* *Chevron U.S.A., Inc. v. Natural Res. Def. Council*, 467 U.S. 837, 843 (1984) (holding that courts must defer to an agency’s “permissible construction” of a statute it administers).

¹²² *Merck*, 80 F.3d at 1549-50 (citing *Animal Legal*, 932 F.2d at 930) (internal quotation marks omitted).

¹²³ *See, e.g.,* *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1293-94 (Fed. Cir. 2011) (en banc) (refusing to follow PTO rules establishing a duty to disclose prior art references during patent prosecution in determining when non-disclosure warrants holding the patent unenforceable); *Koninklijke Philips Elecs. N.V. v. Cardiac Sci. Operating Co.*, 590 F.3d 1326, 1336 (Fed. Cir. 2010) (reversing a priority decision made by the PTO’s Board of Patent Appeals and Interferences and upheld by a district court, noting: “The district court and the Board’s legal errors stem from a failure to appreciate the consequences of the PTO’s rulemaking authority. The

2. Denial of Deference to Fact-Finding

A second way in which the Federal Circuit has protected its power over the PTO is by limiting its deference to PTO fact-finding. Under the APA, agency fact-finding is subject to either of two standards of review. For factual decisions made in formal proceedings, the court must uphold the agency determination unless it is not supported by substantial evidence.¹²⁴ In informal proceedings, by contrast, a reviewing court must uphold agency fact-finding unless it is arbitrary, capricious, or an abuse of discretion.¹²⁵ In another example of patent-law exceptionalism, the Federal Circuit long denied that the APA applied to the PTO. Instead, the court applied the “clearly erroneous” standard to issues of fact resolved by the PTO in patent application proceedings.¹²⁶ This was unusual because clear error is the standard typically applied by appellate courts reviewing fact-finding by lower courts, not agencies.¹²⁷ Also, the clear error standard has traditionally been considered to allow more rigorous judicial review than either of the APA standards.¹²⁸

Ultimately, the Supreme Court held that the APA applies to review of PTO fact-finding.¹²⁹ Yet the Federal Circuit has still tried to maximize its control over PTO fact-finding. For example, the Supreme Court did not make clear which of the two APA standards applied: the arbitrary, capricious, or abuse of discretion standard, or the substantial evidence standard. Although some question whether the standards differ at all,¹³⁰ the Federal Circuit has stated that the substantial evidence standard, which applies to relatively formal proceedings, is less deferential.¹³¹ Not surprisingly, that is the standard the Federal Circuit has applied to PTO fact-finding.¹³² But applying this more rigorous standard of review is potentially problematic because PTO proceedings are informal; the record on review does not contain the documents produced by formal adjudication

PTO lacks substantive rulemaking authority. . . . We remind the district court and the Board that they must follow judicial precedent instead of [a relevant PTO regulation].”).

¹²⁴ 5 U.S.C. § 706(2)(E).

¹²⁵ *Id.* § 706(2)(A).

¹²⁶ *In re Zurko*, 142 F.3d 1447, 1450 (Fed. Cir. 1998) (en banc), *rev'd sub nom.*, *Dickinson v. Zurko*, 527 U.S. 150 (1999).

¹²⁷ *See* FED. R. CIV. P. 52(a)(6).

¹²⁸ *See* 2 RICHARD J. PIERCE, JR., ADMINISTRATIVE LAW TREATISE § 11.2 (5th ed. 2010).

¹²⁹ *Zurko*, 527 U.S. at 152.

¹³⁰ *See, e.g.*, *Ass'n of Data Processing Serv. Orgs., Inc. v. Bd. of Governors of the Fed. Reserve Sys.*, 745 F.2d 677, 684 (D.C. Cir. 1984) (Scalia, J.) (“We have noted on several occasions that the distinction between the substantial evidence test and the arbitrary or capricious test is ‘largely semantic’”). *See generally* 1 PIERCE, *supra* note ___, § 7.5 (discussing conflicting case law).

¹³¹ *In re Gartside*, 203 F.3d 1305, 1312 (Fed. Cir. 2000).

¹³² *See id.* at 1313-14.

under the APA (which is rare in any event), such as records of evidentiary hearings with cross-examination.¹³³ Put simply, PTO fact-finding is inevitably based on a thinner record than would be found in a formal proceeding, making it more susceptible to overturning on appeal.¹³⁴

3. Muddying the Line Between Procedure and Substance

While the PTO has no authority to promulgate substantive rules, it does have authority to issue rules governing PTO procedure.¹³⁵ The Federal Circuit gives these procedural rules *Chevron* deference, meaning that, if Congress has not directly addressed the matter at issue, the PTO's interpretation will be upheld if it is a permissible construction of the relevant statute.¹³⁶ Of course, the line between procedure and substance is fuzzy, and, by fostering uncertainty about how to distinguish permissible procedural rules from impermissible substantive rules, the Federal Circuit has arguably chilled the PTO's use of the limited rulemaking authority it does have.

Tafas v. Doll provides an example of a chilling effect.¹³⁷ In that case, the PTO had issued rules to “address the large and growing backlog of unexamined patent applications” and to “address the [agency's] difficulty in examining applications that contain a large number of claims.”¹³⁸ The rules, among other things, limited the ability of patent applicants to file continuation applications and requests for continued examination,¹³⁹ and required applicants to disclose and distinguish relevant prior art when filing applications with large numbers of claims.¹⁴⁰ Judge Prost, writing for the court, determined that the rules at issue were procedural and upheld them for the most part.¹⁴¹ Judge Bryson concurred in Judge Prost's

¹³³ Compare 1 PIERCE, *supra* note __, § 8.2 (describing the features of formal adjudication under the APA), with 37 C.F.R. § 41.47 (2012) (proving that argument at an oral hearing before the PTO's Board of Patent Appeals and Interferences—if granted—“may only rely on evidence that has been previously entered and considered by the primary examiner”).

¹³⁴ See Benjamin & Rai, *supra* note __, at 290 (citing *In re Lee*, 277 F.3d 1338 (Fed. Cir. 2002); *In re Zurko*, 258 F.3d 1379 (Fed. Cir. 2001); *In re Beasley*, 117 F. App'x 739 (Fed. Cir. 2004)).

¹³⁵ 35 U.S.C. § 2(b)(2)(A).

¹³⁶ See *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1337 (Fed. Cir. 2008).

¹³⁷ 559 F.3d 1345 (Fed. Cir. 2009).

¹³⁸ *Id.* at 1350 (internal quotation marks omitted).

¹³⁹ The continuation mechanism essentially permits a patent applicant to start the process over, often after the PTO has rejected an initial application. See Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. REV. 63, 67-68 (2004) (noting that “[t]he term ‘Final Rejection’ is a classic legal misnomer” because “[t]he applicant may choose to start the prosecution process over by filing a continuation application”).

¹⁴⁰ *Tafas*, 559 F.3d at 1350.

¹⁴¹ See *id.* at 1364-65.

opinion, but noted that he would not dwell on the procedural/substantive distinction. Rather, he looked to Congress's specific grant of rulemaking authority to the PTO—to “govern the conduct of proceedings in the Office”—and determined that the rules generally fell within that grant of authority.¹⁴² Judge Rader dissented from much of the court's opinion, arguing that the rules in question were substantive and beyond the PTO's power.¹⁴³ The full court agreed to rehear the case en banc,¹⁴⁴ but, with the threat of an adverse decision looming, the PTO rescinded the rules and the Federal Circuit dismissed the appeal as moot.¹⁴⁵

While the panel in *Tafas* upheld the PTO's rulemaking, the case highlights the uncertainty that accompanies the scope of the PTO's limited authority to promulgate “procedural” rules. Rules that could help solve the patent crisis by reducing the PTO's backlog of applications and streamlining the examination process now seem to fall in, as Sarah Tran has noted, “a murky zone of invalidity.”¹⁴⁶ This uncertainty could chill the PTO's exercise of its limited rulemaking powers, as the rescission of the rules at issue in *Tafas* demonstrates.

4. *Deciding New Issues on Appeal*

A final way in which the Federal Circuit enhances its power at the expense of the PTO is through the court's willingness to decide legal questions not considered by the agency. For example, in *In re Comiskey*, the PTO rejected a patent application, solely on the ground of obviousness.¹⁴⁷ On appeal, the Federal Circuit upheld the rejection, but did not even consider the issue of obviousness. Rather, the court sua sponte held that some of the claims did not recite patentable subject matter, and remanded other claims to the PTO so that the agency could consider in the first instance whether they recited patentable subject matter.¹⁴⁸ This ruling is arguably in tension with *SEC v. Chenery*, in which the Supreme Court famously held that a court may usually review administrative action only on the grounds relied upon by the agency.¹⁴⁹ In an opinion dissenting from the

¹⁴² *Id.* at 1365-66 (Bryson, J., concurring).

¹⁴³ *Id.* at 1368 (Rader, J., concurring in part and dissenting in part).

¹⁴⁴ 328 F. App'x 658 (Fed. Cir. 2009).

¹⁴⁵ 586 F.3d 1369, 1371 (Fed. Cir. 2009) (en banc).

¹⁴⁶ Tran, *supra* note __, at 340-44; *see also* Miller, *supra* note __, at 34 (noting that, after *Tafas*, the scope of the PTO's regulatory authority “remains in doubt” and that “[t]he agency problems that inspired the rules continue”).

¹⁴⁷ 554 F.3d 967, 972 (Fed. Cir. 2009).

¹⁴⁸ *Id.* at 973. The patentable subject matter requirement stems from the provision of the Patent Act that permits patents to be issued on “any new and useful *process, machine, manufacture, or composition of matter*, or any new and useful improvement thereof.” 35 U.S.C. § 101 (emphasis added).

¹⁴⁹ 318 U.S. 80, 88 (1943).

denial of rehearing en banc, Judge Moore expressed dismay over the court's arrogation of power over the PTO:

Our task is to review a PTO decision, not to direct its examination. Section 144 of the Patent Act states that our court “shall review the decision . . . on the record before the Patent and Trademark Office.” Our court is now apparently doing more than reviewing on the record; it is directing the examination, failing to review the decision the PTO has rendered and telling it what alternative possible ground of rejection should be evaluated. With all due respect, I do not believe that we have a roving commission to manage the examination process.¹⁵⁰

Comiskey is not the only recent case in which the court has affirmed a PTO rejection on new grounds.¹⁵¹ This emerging practice of, essentially, ignoring the PTO decision that is on review is another illustration of Federal Circuit exceptionalism. As a consequence, the appellate court has addressed difficult questions of law and policy in the first instance. While this practice could potentially be justified if it saved the PTO from dealing with a remand, as *Comiskey* illustrates, a remand sometimes remains necessary. The court thus acts not as an appellate court, reviewing the decision of an inferior tribunal, but as an agency administrator, dictating the issues the PTO must consider. In addition, by ignoring the PTO decision on review, the court addresses difficult legal questions on a record that poorly illuminates them, raising the possibility that the court will not sufficiently understand the issues in play or the potential consequences of its decision.

* * *

As in the federalism relationship, a recurring theme in the separation of powers relationship is that the Federal Circuit has taken many steps that solidify its position as the sole expositor of patent law. To obtain this position, the court has, not infrequently, developed transsubstantive rules that differ from those normally applied by the regional circuits and, arguably, dictated by the Supreme Court. As a consequence, the court has impeded development of patent-law expertise outside of the court itself. In the federalism relationship, this impediment is largely complete because federal jurisdiction is exclusive of state courts. In the separation of powers relationship, however, the court faces more formidable counterweights, once one looks beyond administrative law doctrine.

¹⁵⁰ *In re Comiskey*, No. 2006-1286, 2009 U.S. App. LEXIS 400, *26 (Fed. Cir. Jan. 13, 2009) (Moore, J., dissenting from the denial of rehearing en banc).

¹⁵¹ *See In re Aoyama*, 656 F.3d 1293, 1299 (Fed. Cir. 2011) (upholding a patent denial on the grounds of indefiniteness when the PTO had based its determination of unpatentability on anticipation).

B. How the Executive Branch Pushes Back

As a practical matter, the PTO (along with other executive branch actors) is still able to shape patent law, despite Federal Circuit doctrine that reduces its power. In this section, I focus on three important ways in which the PTO influences patent law. First, although the PTO has no authority to promulgate substantive rules, courts sometimes defer to its longstanding practice. For example, the PTO compiles the *Manual of Patent Examining Procedure*,¹⁵² which summarizes court-developed law to “provide[] page after page of painstaking instruction on how substantive patent law doctrines should be applied in the context of patent examination.”¹⁵³ Although the manual does not have the force of law, examiners and patent applicants rely heavily on its guidance, and it is frequently cited by the courts as persuasive authority.¹⁵⁴ As another example, consider the recent, high-profile decision in *Myriad*, in which the Federal Circuit supported its holding that isolated DNA molecules are patent eligible by citing “the longstanding practice of the PTO,” which had issued patents on DNA molecules for nearly thirty years.¹⁵⁵ Concurring, Judge Moore took a similar approach, noting that “we must be particularly wary of expanding the judicial exception to patentable subject matter where both settled expectations and extensive property rights are involved.”¹⁵⁶

A second way in which the executive branch exerts influence over patent law is as a participant in litigation. The Solicitor General, for example, has been remarkably successful in convincing the Supreme Court to review the decisions of the Federal Circuit and in winning on the merits in cases that do reach the Court. From 1996 to 2007, the Solicitor General participated as a party or an amicus in thirteen patent cases. In nine of those cases, the Solicitor General supported a different result than that reached by the Federal Circuit, and in each of those cases, the Supreme Court agreed with the Solicitor General’s position.¹⁵⁷ In many

¹⁵² See MANUAL OF PATENT EXAMINING PROCEDURE (8th ed. 2001, rev. July 2010), available at <http://www.uspto.gov/web/offices/pac/mpep/index.htm>.

¹⁵³ Golden, *supra* note __, at 1047.

¹⁵⁴ See *id.* at 1047-48 & n.33 (providing examples); see also *In re Fisher*, 421 F.3d 1365, 1372 (Fed. Cir. 2005) (adopting the approach set forth in the PTO’s Utility Examination Guidelines, 66 Fed. Reg. 1092 (Jan. 5, 2001), for determining whether nucleotide sequences satisfy the utility requirement of the Patent Act, 35 U.S.C. § 101).

¹⁵⁵ See *Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office (Myriad)*, 653 F.3d 1329, 1354-55 (Fed. Cir. 2011), *vacated*, 132 S. Ct. 1794 (2012).

¹⁵⁶ *Id.* at 1367 (Fed. Cir. 2011) (Moore, J., concurring in part).

¹⁵⁷ See Duffy, *supra* note __, at 540.

of those cases, the Solicitor General's position was advised by the PTO, as well as other executive and independent agencies.¹⁵⁸

However, the Solicitor General's winning streak in the Supreme Court recently ended.¹⁵⁹ Moreover, the Solicitor General does not always act as a simple mouthpiece for the PTO. In *Myriad*, for instance, the Department of Justice filed a brief in the Federal Circuit urging a position different from the PTO's longstanding position that isolated DNA molecules are patent eligible.¹⁶⁰ The basic point, however, is that by participating in patent litigation, and in particular by conferring with the Solicitor General, the executive branch can—and has—influenced some of the most important issues in patent law today.¹⁶¹

Finally, the recent patent reform statute, the America Invents Act (AIA), empowers the PTO to push back against the Federal Circuit's monopolization of patent law. The Act created several important new PTO proceedings. For example, post-grant review proceedings will allow third parties to challenge a patent's validity at the PTO (rather than through expensive litigation) for, in most cases, up to nine months after the patent issues.¹⁶² The AIA also created *inter partes* review proceedings, which permit third parties to challenge a patent's novelty or nonobviousness at the PTO any nearly point during the patent's life;¹⁶³ supplemental examinations, which permit a patent holder to submit information relevant to the patent that the PTO did not consider during the original prosecution;¹⁶⁴ and derivation proceedings, which will replace interference

¹⁵⁸ See Long, *supra* note __, at 1972 (noting that the PTO has recently “boasted of its role in advising the Solicitor General's Office as to whether the Supreme Court should grant certiorari [in] patent cases coming out of the Federal Circuit,” citing the PTO's annual reports).

¹⁵⁹ See Paul R. Gugliuzza, Book Review, *IP Injury and the Institutions of Patent Law*, 98 IOWA L. REV. (forthcoming 2013) (manuscript at 19), available at <http://ssrn.com/abstract=2072478> (noting that, since the 2010 Term, the government has lost “two of the three cases in which the Solicitor General and the Federal Circuit clearly disagreed” and that, in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), the Solicitor General unsuccessfully defended the Federal Circuit's judgment).

¹⁶⁰ See *Myriad*, 653 F.3d at 1349.

¹⁶¹ See Arti K. Rai, Essay, *Patent Validity Across the Executive Branch: Ex Ante Foundations for Policy Development*, 61 DUKE L.J. 1237, 1245-48 (2012).

¹⁶² See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6(d), 125 Stat. 284, 316 (2011) (codified at 35 U.S.C. § 321).

¹⁶³ See *id.* § 6(a) (codified at 35 U.S.C. § 311).

¹⁶⁴ See *id.* § 12(a) (codified at 35 U.S.C. § 257). This mechanism will allow patent owners to potentially avoid, in subsequent litigation, allegations that they failed to disclose important information to the PTO, which can lead a court to hold a patent unenforceable under patent law's inequitable conduct doctrine. See *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1287 (Fed. Cir. 2011) (en banc).

proceedings and determine which of two (or more) parties is entitled to the patent for the same invention under the new first-to-file priority rule.¹⁶⁵

To implement these proceedings, Congress has empowered the PTO to set standards that would seem to include policy choices.¹⁶⁶ For example, the AIA states that the PTO may not initiate post-grant review unless it is “more likely than not” that at least one of the challenged claims is unpatentable.¹⁶⁷ In contrast to the PTO’s previously limited power to issue substantive rules, the AIA gives the PTO authority to interpret this statutory standard: “The Director shall prescribe regulations . . . setting forth the standards for the showing of sufficient grounds to institute a [post-grant] review.”¹⁶⁸ In addition, many other provisions of the AIA empower the PTO to set “standards” for conducting the new proceedings created by the Act.¹⁶⁹ And the legislative history evinces a clear “inten[t]” for the PTO to use these new proceedings “to address potential abuses and current inefficiencies” in the patent system.¹⁷⁰

Still, when viewed against the patent system as a whole, these are minor powers; they do not allow the PTO to interpret the core requirements of the Patent Act, such as novelty or nonobviousness. Consequently, policy power in the field of patent law will remain largely with the Federal Circuit alone. As illustrated by common critiques of Federal Circuit patent law as insular and insensitive to innovation policy, this centralization may be problematic.¹⁷¹ While the PTO can sometimes influence patent law through both formal and informal mechanisms, the agency’s lack of substantive rulemaking authority and the lack of deference it is afforded make it a relatively weak power broker compared to the Federal Circuit.

¹⁶⁵ See America Invents Act § 3(i) (codified at 35 U.S.C. § 135); see also *id.* § 3(b)(1) (codified at 35 U.S.C. § 102(a)(2)) (new priority rule).

¹⁶⁶ See Tran, *supra* note __, at 616.

¹⁶⁷ American Invents Act § 6(d) (codified at 35 U.S.C. § 324(a)).

¹⁶⁸ *Id.* (codified at 35 U.S.C. § 326(a)(2)).

¹⁶⁹ See Tran, *supra* note __, at 599-600 (noting that the PTO is empowered to prescribe, among other things, “standards for the conduct of derivation proceedings,” and “standards for the showing of sufficient grounds to institute” *inter partes* review).

¹⁷⁰ H.R. REP. NO. 112-98, at 48 (2011).

¹⁷¹ See *supra* note __ and accompanying text; see also Rafael I. Pardo & Kathryn A. Watts, *The Structural Exceptionalism of Bankruptcy Administration*, 60 UCLA L. REV. (forthcoming 2012), available at <http://ssrn.com/abstract=2070332> (criticizing the institutional design of the bankruptcy system which, like the patent system, locates most policymaking power in the courts, not a regulatory agency).

C. The Federal Circuit as a Legislature

Before concluding this discussion of the separation of powers relationship, this section further considers the court's interactions with Congress. One might think that this relationship would lack give-and-take. After all, if Congress disagrees with how the Federal Circuit has articulated patent law, Congress can simply change it.¹⁷²

Interestingly, however, changes in Federal Circuit law have often tracked pending legislative proposals, resulting in an indirect dialogue between the judicial and legislative branches. For example, in 2008, the Federal Circuit—for the first time ever—ordered a district court to transfer a patent case to a more convenient forum under 28 U.S.C. § 1404(a).¹⁷³ At the time, proposals were pending in Congress to amend the venue statute for patent cases,¹⁷⁴ in response to complaints about the prevalence of forum shopping in patent litigation.¹⁷⁵ Perhaps as a consequence, the AIA contains minimal revisions to the venue rules.¹⁷⁶

Also, consider the court's decisions in *Lucent Technologies, Inc. v. Gateway, Inc.*, which reversed a damages award of approximately \$358 million as unsupported by substantial evidence,¹⁷⁷ and *Uniloc USA, Inc. v. Microsoft Corp.*, which rejected the infamous “25 percent rule” as a starting point for reasonable-royalty damage calculations.¹⁷⁸ Before those cases were decided, and in response to growing concerns about excessive damages awards in patent cases, a provision had been percolating in Congress to require courts to specifically identify the methodologies or factors for calculating damages.¹⁷⁹ The AIA, interestingly, contains no significant amendment to patent damages law.

¹⁷² See, e.g., 21 U.S.C. § 355(j)(5)(C)(ii)(I), *overruling* Mylan Pharms., Inc. v. Thompson, 268 F.3d 1323 (Fed. Cir. 2001).

¹⁷³ *In re* TS Tech USA Corp., 551 F.3d 1315 (Fed. Cir. 2008); see also 28 U.S.C. § 1404(a) (“For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought . . .”).

¹⁷⁴ See, e.g., S. 515, 111th Cong. § 8 (2009).

¹⁷⁵ See, e.g., Moore, *supra* note ___, at 891-94.

¹⁷⁶ *Cf.* America Invents Act § 9(a) (codified at 35 U.S.C. § 145) (changing venue for district court challenges to PTO decisions from the District of Columbia to the Eastern District of Virginia).

¹⁷⁷ 580 F.3d 1301, 1335 (Fed. Cir. 2009).

¹⁷⁸ 632 F.3d 1292, 1315 (Fed. Cir. 2011). The Patent Act mandates that, upon finding infringement, the court must award damages that are “in no event less than a reasonable royalty for the use made of the invention by the infringer.” 35 U.S.C. § 284.

¹⁷⁹ See S. 515, 111th Cong. § 4 (2009).

Finally, consider the law of willful infringement. A plaintiff who proves that the defendant willfully infringed a patent may recover “enhanced damages” of up to treble the amount originally awarded.¹⁸⁰ In 1983, the Federal Circuit held that an accused infringer who has notice of another’s patent rights has an affirmative duty to seek the advice of counsel before engaging in potentially infringing activity.¹⁸¹ Without the advice of counsel, subsequent infringement could be deemed willful. This affirmative duty of due care was a target of early attempts at patent reform.¹⁸² In 2007, however, the en banc Federal Circuit eliminated the duty to obtain the advice of counsel.¹⁸³ Accordingly, the only change made by the AIA to the law of willful infringement is to make clear that the failure to obtain advice cannot be used as evidence of willfulness.¹⁸⁴

D. Competition for Patent Power: Institutional Themes Reconsidered

Despite this inter-branch competition to influence patent policy, as a doctrinal matter, there remains a strong claim that the Federal Circuit has tried to consolidate its power over the field. As in the federalism relationship, some of this doctrine—such as the court’s willingness to address issues that the PTO never considered—is arguably on a collision course with Supreme Court case law, which mostly limits judicial review to matters considered by the agency. Likewise, the court’s behavior embodies the institutional themes discussed above. The court’s refusal to apply the APA to the PTO and its avoidance of the *Chenery* doctrine are further examples of patent-law exceptionalism. We also see the Federal Circuit again shifting forms. In the federalism relationship, the court acted as a state court, defining the contours of state tort law. In the separation of powers relationship, the courts acts as an agency administrator by, for example, dictating the course of patent examination (in cases like *Comiskey*) and refusing deference to inferior administrative actors.¹⁸⁵ And sometimes the court acts as a

¹⁸⁰ *Beatrice Foods Co. v. New Eng. Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991); see 35 U.S.C. § 284 (permitting treble damages).

¹⁸¹ *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983).

¹⁸² See, e.g., H.R. 2785, 109th Cong. § 6 (2005); S. 1145, 110th Cong. § 4(a) (2007).

¹⁸³ *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc).

¹⁸⁴ America Invents Act § 17(a) (codified at 35 U.S.C. § 298); see also Vertinsky, *supra* note __, at 545 n.139 (noting that *Seagate* “may well remove the need” for the provisions of the patent reform bills that would amend the willfulness standard).

¹⁸⁵ See Kumar, *supra* note __, at 1-2. As others have noted, these are not the only ways in which the Federal Circuit acts as an administrative agency. See *id.* (analogizing the Federal Circuit’s oft-discussed preference for bright-line rules to notice-and-comment rulemaking by an agency); Ryan Vacca, *Acting Like an Administrative Agency: The Federal Circuit En Banc*, 76 MO. L. REV. 733, 733-34 (2011) (arguing that the Federal Circuit’s en banc practices resemble notice-and-comment rulemaking).

legislature, pushing patent law in directions that accord with proposals introduced in (but never passed by) Congress.

In addition, the court solidifies its position as the only expert patent institution by limiting the power of the PTO. In the federalism relationship, one might defend the court's curtailment of state court jurisdiction by arguing that those institutions are poorly equipped to apply patent law, because they so rarely hear patent cases. In the separation of powers relationship, however, the curtailment of PTO authority is far more remarkable, since the agency has deep, on-the-ground experience with patent law, even if it is not currently designed to be a policy-making entity.¹⁸⁶ In the next relationship in this Article's taxonomy, the relationship between the Federal Circuit and trial-level patent infringement tribunals, we will again see the court strip authority from institutions that are well-positioned to develop patent-law expertise.

IV. THE VERTICAL RELATIONSHIP: THE FEDERAL CIRCUIT, THE DISTRICT COURTS, AND THE ITC

This Part examines what I term the Federal Circuit's vertical relationship with the federal district courts, which hear most patent infringement matters in the United States, and the International Trade Commission, a venue that has grown in importance in recent years. At the institutional level, the court's aggressive review of fact-driven and discretionary matters decided by these tribunals provides another example of Federal Circuit power expansion. This institutional behavior, however, also implicates important ways in which the entire patent system is currently failing. Business leaders and commentators often cite the inefficiency and unpredictability of patent litigation as important symptoms of the patent crisis of over-protection and over-enforcement,¹⁸⁷ and the Federal Circuit's institutional behavior might be to blame for those shortcomings.

A. The Federal Circuit and the District Courts

Early Federal Circuit cases suggested the court would take a modest role vis-à-vis the district courts. For example, the court reasoned it had less power than the regional circuits to entertain interlocutory appeals (that is, appeals from orders that do not conclude the district court case) because it had "no general supervisory authority over district courts."¹⁸⁸ Things have changed dramatically since those days. The court has grown its authority in at least two ways. First, it has used patent law's standards of appellate review to give itself plenary power to resolve the most important issues in patent litigation. And, second, the court has

¹⁸⁶ See Nard, *supra* note ___, at 1500-02, 1505-07.

¹⁸⁷ See BURK & LEMLEY, *supra* note ___, at 26-28.

¹⁸⁸ *Miss. Chem. Corp. v. Swift Agric. Chems. Corp.*, 717 F.2d 1374, 1380 (Fed. Cir. 1983).

developed rules of appellate jurisdiction and procedure that give the court significant control over the conduct of district-court litigation.

1. *Redistributing Power Through Patent Law: The Federal Circuit as a Fact-Finder*

The differing institutional competencies of trial and appellate courts shape the standards of review applied on appeal. Appellate courts review questions of law *de novo* because they have more time to research the issues, because their multi-judge panels permit dialogue and collective judgment, and because a key function of appellate review is to permit uniform development of the law.¹⁸⁹ In contrast, appellate courts defer to a trial court's fact-finding because of the trial court's familiarity with and proximity to the evidence and testimony.¹⁹⁰

Seizing on these differences in standards of review, the Federal Circuit has taken authority from district courts by casting many important issues in patent cases as questions of law, rather than as questions of fact. The most notable area in which this has occurred is claim construction.¹⁹¹ The process of determining exactly what patent claims mean is the most important event in a patent case, for the claims' meaning will often determine whether the accused product or method infringes. As Judge Mayer has bluntly explained, "to decide what the claims mean is nearly always to decide the case."¹⁹²

Since the Federal Circuit insists that claim construction is a question of law, it is not surprising that, according to the court, the analysis should focus on "intrinsic evidence": the claim language at issue, other claims in the patent, the patent's specification (that is, the drawings and detailed description of the invention, which precede the patent claims), and the prosecution history (that is, the correspondence between the applicant and the PTO during prosecution).¹⁹³ Yet the court has also acknowledged that extrinsic evidence, such as expert testimony and reference materials (like dictionaries and scientific treatises), can be relevant.¹⁹⁴ This makes sense because claims are interpreted from the

¹⁸⁹ *Salve Regina College v. Russell*, 499 U.S. 225, 231-33 (1991).

¹⁹⁰ J. ERIC SMITHBURN, *APPELLATE REVIEW OF TRIAL COURT DECISIONS* 8-9 (2009).

¹⁹¹ See Arti K. Rai, *Specialized Trial Courts: Concentrating Expertise on Fact*, 17 *BERKELEY TECH L.J.* 877, 883-84 (2002). Because the Federal Circuit also treats PTO claim construction as a question of law reviewed *de novo*, much of this analysis could also serve as an illustration of Federal Circuit power enhancement in the separation of powers relationship. See Rai, *supra* note ___, at 1047-54.

¹⁹² *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 989 (Fed. Cir. 1995) (en banc) (Mayer, J., concurring in the judgment), *aff'd*, 517 U.S. 370 (1996).

¹⁹³ See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-17 (Fed. Cir. 2005) (en banc).

¹⁹⁴ See *id.* at 1317.

perspective of one of ordinary skill in the art at the time of the invention¹⁹⁵ and the district judge will likely be unfamiliar with the pertinent technology. Claim construction therefore often involves days-long hearings with expert witnesses testifying about who qualifies as a person of ordinary skill in the art and what the claims would mean to that person.¹⁹⁶

Evaluating this evidence would seem to be a fact-finding task, and it would seem that the district court's determination should receive some deference on appeal. But the Federal Circuit has rejected both of those premises. In *Markman v. Westview Instruments, Inc.*, the court held that claim construction is a matter of law to be determined by the judge and not a jury.¹⁹⁷ The Supreme Court affirmed, holding that the Seventh Amendment did not require claim construction to be conducted by juries.¹⁹⁸ But the Court also suggested that claim construction was a “mongrel practice” that was neither a purely legal matter nor a matter of fact.¹⁹⁹ Accordingly, scholars—and many Federal Circuit judges—have suggested that lower courts should receive deference for their claim construction rulings.²⁰⁰ But the Federal Circuit has insisted that it reviews a district court's claim construction order de novo, with no deference given.²⁰¹

This doctrinal consolidation of power has serious consequences for the patent system. First, as an empirical matter, numerous studies have documented the high rate at which the Federal Circuit overturns district court claim construction orders.²⁰² The most reliable studies have calculated the figure to be about thirty percent, higher than the overall rate for civil appeals in the federal courts, which appears to be less than twenty percent.²⁰³ Claim construction orders are made

¹⁹⁵ *Markman*, 52 F.3d at 986.

¹⁹⁶ *See Phillips*, 415 F.3d at 1332 (Mayer, J., dissenting).

¹⁹⁷ *Markman*, 52 F.3d at 970-71.

¹⁹⁸ *Markman*, 517 U.S. at 372.

¹⁹⁹ *Id.* at 378, 388.

²⁰⁰ *See Kumar*, *supra* note __, at 33-34; *see also* *Retractable Techs., Inc. v. Becton, Dickinson & Co.*, 659 F.3d 1369, 1373 (Fed. Cir. 2012) (Moore, J., dissenting from denial of rehearing en banc); *id.* at 1373 (O'Malley, J., dissenting from denial of rehearing en banc); *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039, 1040 (Fed. Cir. 2006) (Michel, C.J., dissenting from denial of rehearing en banc); *id.* at 1044 (Rader, J., dissenting from denial of rehearing en banc); *id.* at 1046 (Moore, J., dissenting from denial of rehearing en banc); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1330 (Fed. Cir. 2005) (en banc) (Mayer, J., dissenting).

²⁰¹ *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1451 (Fed. Cir. 1998) (en banc).

²⁰² *See* Richard S. Grunner, *How High Is Too High?: Reflections on the Sources and Meaning of Claim Construction Reversal Rates at the Federal Circuit*, 43 LOYOLA L.A. L. REV. 981, 995-1001 (2010) (summarizing the empirical studies).

²⁰³ *See* Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 LEWIS & CLARK L. REV. 231, 239 (2005) (finding that, in cases from 1996 through 2003 in which claim construction was at issue, the Federal Circuit held that at least one term was wrongly construed in 37.5% of cases and that erroneous claim construction required reversal or

early in a case, before summary judgment and before any trial, yet the Federal Circuit typically will not review those orders until after a final judgment issues.²⁰⁴ In the interim, the district court may conduct a trial based on its initial claim construction. If the Federal Circuit eventually reverses that construction, a remand for further factual development—often a costly second trial—will be necessary. High reversal rates on claim construction, flowing from the Federal Circuit’s treatment of the issue as one of law, thus raise important concerns about wasting the parties’ time and resources, to say nothing of the trial court’s.²⁰⁵

These high reversal rates are not limited to claim construction. For example, Ted Field has shown that the overall reversal rate in Federal Circuit patent cases (28.8%) is significantly greater than the reversal rate in a selection of regional circuit cases he used as a control group (14%).²⁰⁶ This leads to a second consequence of the Federal Circuit’s power consolidation: litigants and judges develop a cynical perception of patent litigation generally and the Federal Circuit specifically. For example, then-District Judge Kathleen O’Malley (now a judge on the Federal Circuit) once joked that “litigants should want to be on the losing side at the district court level because there appears to be a presumption at the [Federal Circuit] that district judges generally get claim construction wrong.”²⁰⁷ While Judge O’Malley recognized that her statement was not quite empirically accurate, the sentiment captures the widely shared perception that the Federal Circuit holds significant power over patent infringement determinations and exercises it in somewhat arbitrary fashion. If patent appeals are no more predictable than “throw[ing] darts” (as another judge has quipped),²⁰⁸ the patent

vacatur in 29.7% of cases); David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 MICH. L. REV. 223, 248-49 (2008) (finding that, from 1996 through 2007, 29.7% of Federal Circuit appeals involving claim construction issues were reversed, vacated, and or remanded due to claim construction errors, and that, in another 8.3% of cases, the Federal Circuit found a claim construction error but still affirmed); see also Ted Sichelman, *Myths of (Un)certainly at the Federal Circuit*, 43 LOYOLA L.A. L. REV. 1161, 1172-73 nn.46-47, 51 (2010) (noting that “Schwartz’s and Moore’s claim construction studies are the only ones to comprehensively account for . . . summary affirmances in calculating reversal rates” and also discussing overall reversal rates for civil cases).

²⁰⁴ See Paul R. Gugliuzza, *The New Federal Circuit Mandamus*, 45 IND. L. REV. 343, 396-97 & n.381 (2012).

²⁰⁵ See ABA SECTION OF INTELLECTUAL PROPERTY LAW, A SECTION WHITE PAPER: AGENDA FOR 21ST CENTURY PATENT REFORM 35 (rev. Mar. 2009) (noting that frequent reversals on claim construction cause “cause[] inefficiencies,” “waste[] judicial, litigant, and client resources,” and “cause[] patent cases to cost substantially more to litigate, because a trial or portions of the litigation must be relitigated”).

²⁰⁶ Field, *supra* note ___, at 40.

²⁰⁷ Kathleen O’Malley et al., *A Panel Discussion: Claim Construction from the Perspective of the District Judge*, 54 CASE W. RES. L. REV. 671, 680 (2004).

²⁰⁸ Anandashankar Mazumdar, *Federal District Courts Need Experts that are Good “Teachers,” Judges Tell Bar*, 70 PAT., TRADEMARK & COPYRIGHT J. 536 (2005) (quoting District Judge Marsha Pechman).

system suffers. District judges, viewing themselves as mere “weigh station[s] along the way to appeal” (another sentiment expressed by a sitting district judge),²⁰⁹ might be less inclined to invest their scarce time into the case. More importantly, unpredictability on appeal might encourage patent holders with marginal claims to take a chance in litigation, imposing costs not only on the defendants they target, but on the judicial system itself and other litigants who vie for courts’ time.

Finally, returning to claim construction specifically, the Federal Circuit’s *de novo* review indirectly displaces district court authority in other areas of patent law. Because claim construction reversals often call into doubt the district court’s infringement analysis, this leads to what Arti Rai has called the “domino effect”: rather than remand for a new trial on infringement, the court may simply declare that there is no factual dispute on infringement.²¹⁰ Indeed, at least one Federal Circuit judge, when discussing claim construction, has acknowledged the court’s “hesitance” to remand for a new trial.²¹¹

Of course, some important issues in patent cases are questions of fact subject to more deferential appellate review, such as the ultimate question of infringement, aspects of the analysis for nonobviousness, and the requirement that an invention be novel. Nevertheless, as Jeanne Fromer has noted, “the balance of power” in patent cases is “decidedly in the Federal Circuit’s favor” because claim construction is considered a legal issue.²¹² Claim construction is crucial to nearly every issue in a patent case, “so judges and juries often have little discretion once a particular construction has been accorded to a patent’s claims.”²¹³

The vast power the Federal Circuit exercises over the fact-driven question of claim construction highlights yet another role played by the Federal Circuit: that of fact-finding trial court. A recurring theme of this shape-shifting is that the court often justifies it based on a need for uniformity in patent law and patent

²⁰⁹ O’Malley et al., *supra* note __, at 682 (comments of District Judge Patti Saris, stating also that “the high reversal rate demoralizes many federal district court judges”).

²¹⁰ Rai, *supra* note __, at 884-85; *accord* William C. Rooklidge & Matthew F. Weil, Essay, *Judicial Hyperactivity: The Federal Circuit’s Discomfort with Its Appellate Role*, 15 BERKELEY TECH. L.J. 725, 740-45; Peter Zura, *Looking for Fire Amidst the Smoke—Is the Federal Circuit Really Exceeding Its Appellate Authority in Patent Infringement Cases?*, 12 U. BALT. INTELL. PROP. L.J. 1, 36-37 (2003)

²¹¹ Alan D. Lourie, Speech to the Patent, Trademark, and Copyright Section of the D.C. Bar (June 16, 2000), in 60 PAT., TRADEMARK & COPYRIGHT J. 147 (2000) (“[W]hile in a particular case, one might consider that a remand rather than a reversal is in order, we hesitate to send a case back to the district court when it is plain to us what the result will be. I believe most district judges would rather have the case decided by us rather than for us to be too finicky about reversing and send the case back for another trial.”).

²¹² Fromer, *supra* note __, at 1461.

²¹³ *Id.*

adjudication. For example, the court has cited this rationale to support its state-court-like jurisdiction over state-law claims²¹⁴ and its de novo review of claim construction,²¹⁵ whether conducted by a district court (enabling the Federal Circuit to act as fact-finder) or the PTO (enabling the Federal Circuit to act as an agency administrator).²¹⁶ The court's self-identity thus appears important to this shape-shifting. Besides uniformity, another reason Congress created the court was to provide expert adjudication in complex patent cases. In the next section, I argue that, like the court's mission to bring uniformity, its mission to provide expertise might explain yet another instance of Federal Circuit shape-shifting.

2. *Redistributing Power Through Procedure: The Federal Circuit as a District Court*

This section focuses on how the Federal Circuit has used doctrines of appealability and, in particular, the standards for obtaining the writ of mandamus, to shift power to itself and away from district courts. Mandamus allows a litigant to seek immediate appellate review of an interlocutory order. It is an extraordinary writ and will issue only if, among other things, the district court's error was "clear and indisputable" and the petitioner has no other means to seek adequate relief.²¹⁷

In Federal Circuit's early days, the court viewed its lack of "supervisory authority" to provide an additional limit on its ability to issue mandamus. The court would issue the writ only on matters that "directly implicate[d]" or were "intimately bound up with and controlled by" patent law.²¹⁸ In other words, the court would not review non-patent issues on mandamus, even though it would review those same issues on a post-judgment appeal. In the past two decades, however, the court—without explicitly overruling its older case law—has begun granting mandamus on many issues controlled by regional circuit law, such as attorney-client privilege,²¹⁹ confidentiality,²²⁰ and transfer of venue.²²¹

The court's willingness to consider mandamus petitions on issues controlled by regional circuit law is, to some extent, a positive development because it affords Federal Circuit litigants the same potential avenues for appeal as litigants in the regional circuits. Yet interlocutory appeals can be disruptive, injecting an

²¹⁴ *Immunocept LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281, 1285-86 (Fed. Cir. 2007).

²¹⁵ *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1455 (Fed. Cir. 1998) (en banc).

²¹⁶ *In re NTP, Inc.*, 654 F.3d 1268, 1274 (Fed. Cir. 2011).

²¹⁷ *Cheney v. U.S. Dist. Court*, 542 U.S. 367, 380-81 (2004).

²¹⁸ *In re Innotron Diagnostics*, 800 F.2d 1077, 1082 (Fed. Cir. 1986).

²¹⁹ *See In re Pioneer Hi-Bred Int'l, Inc.*, 238 F.3d 1370, 1374 (Fed. Cir. 2001).

²²⁰ *See In re Jenoptik AG*, 109 F.3d 721, 723 (Fed. Cir. 1997).

²²¹ *See In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008).

appeal at an early stage on issues that might become moot at the end of the case. For example, suppose a district court erroneously denies a defendant's motion to transfer venue. If the defendant ultimately wins the case, that error would be moot. And so, before December 2008, the Federal Circuit had never granted mandamus to reverse a lower court's transfer decision, denying at least twenty-two petitions on the issue since 1982.²²² But, since that time, the court has issued mandamus on transfer issues eleven times, granting the writ in a remarkable fifty percent of its transfer decisions.²²³

Initially, those orders were all directed at one court, the U.S. District Court for the Eastern District of Texas. Therefore, the orders all applied the law of the Fifth Circuit, which permits the use of mandamus to review interlocutory rulings on transfer of venue.²²⁴ Thus, one might argue that the Federal Circuit's decisions were an acceptable response to a peculiar problem with one court's transfer practice.²²⁵ Yet to grant mandamus over and over on the same issue decided by the same court is unprecedented in the courts of appeals, even in the Fifth Circuit.

This is yet another example of Federal Circuit exceptionalism, and it invites questions about why the court would take such aggressive action against the Eastern District. As one hypothesis, consider that in recent years, the Eastern District has received more patent case filings than any other judicial district.²²⁶ Because of the Eastern District's heavy load of patent cases, one could view the court as an "expert" tribunal at the trial level. It was one of the first districts to adopt special local rules for patent cases²²⁷ and it has a reputation for processing patent cases relatively quickly.²²⁸ But, as discussed, one of the reasons Congress created the Federal Circuit was to provide an expert patent tribunal. By transferring decisions out of the Eastern District, the Federal Circuit, arguably,

²²² Gugliuzza, *supra* note __, at 346.

²²³ *See id.* at 346 nn.9-10 (citing cases).

²²⁴ *See* Danny Ashby et al., *The Increasing Use and Importance of Mandamus in the Fifth Circuit*, 43 TEX. TECH L. REV. 1049, 1050 (2011).

²²⁵ *See* Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 YALE J.L. & TECH. 193, 216 (2007) (arguing that the Eastern District is unduly reluctant to order transfer). *But see* Paul M. Janicke, *Patent Venue and Convenience Transfer: New World or Small Shift?*, 11 N.C. J.L. & TECH. ONLINE 1, 19-23 (2009) (finding that the Eastern District transfers roughly the same percentage of its patent cases as other district courts).

²²⁶ *See* THOMAS F. HOGAN, JUDICIAL BUSINESS OF THE UNITED STATES COURTS: ANNUAL REPORT OF THE DIRECTOR, tbl.C-7 (2011) [hereinafter 2011 JUDICIAL BUSINESS].

²²⁷ Xuan-Thao Nguyen, *Dynamic Federalism and Patent Law Reform*, 85 IND. L.J. 449, 476-77 (2010).

²²⁸ *See* Lemley, *supra* note __, at 415-19 (noting, in a study of thirty-three district courts that resolved more than twenty-five patent cases from 2000 to 2010, that the Eastern District ranked seventh in time to trial but twenty-eighth in time to resolution).

combats development of trial-level expertise and protects its own status as the only expert patent court. Indeed, in a recent State of the Court address, the Federal Circuit's chief judge expressed concern that patent trial litigation is becoming too concentrated in a small number of venues.²²⁹

Of course, a simple desire to defeat trial-level expertise is likely not the whole story. There are many other judicial districts with heavy dockets of patent cases, such as the Northern and Central Districts of California, the Northern District of Illinois, and the District of Delaware. And the Federal Circuit has not yet targeted those courts' transfer decisions (with one exception, discussed below). So, the Eastern District's weak connection to many cases—and, perhaps, its reputation as particularly friendly to patent infringement plaintiffs—also plays a role.

Regardless of the court's motive, it is still debatable whether the Eastern District's connections are so weak as to justify repeated mandamus orders on a discretionary matter, for this expansion of interlocutory review may have serious consequences for the judicial system. For one, the court's willingness to grant mandamus has increased the number of petitions filed, which has the potential to delay proceedings in trial courts. From 2005 through 2009, the Federal Circuit received, on average, twenty-eight petitions for extraordinary relief each year. The court granted its first mandamus petition in December 2008, and, in the past two years, the court has received about forty-five petitions per year.²³⁰ For another, when the petitions are granted (as is increasingly the case), adjudication of the matter is significantly delayed because the cases must essentially start anew in the transferee district.²³¹ Finally, the delay and costs that stem from interlocutory review may be multiplied as the Federal Circuit—relying on its transfer decisions from the Eastern District of Texas—finds mandamus to be an appropriate means of reviewing other types of interlocutory orders from other courts. For example, in *In re Link A Media Devices Corp.*, the court for the first time ordered a court besides the Eastern District of Texas (the District of Delaware) to transfer a patent case.²³² And, in *In re EMC Corp.*, the court held, as “a matter of first impression,” that mandamus could be used to review a district court decision that joinder was proper under Rule 20(a) of the Federal Rules of

²²⁹ Randall R. Rader, Chief Judge, U.S. Court of Appeals for the Federal Circuit, *The State of Patent Litigation*, Speech at the Fifteenth Annual Eastern District of Texas Bench and Bar Conference (Sept. 27, 2011), in 21 FED. CIR. B.J. 331, 341 (2012) (“The Northern District of California, the District of Delaware, or the Eastern District of Texas should not be chosen by default or for attorney convenience . . . [T]he best way for us to strengthen our judicial system is to share and promote other venues.”).

²³⁰ See *Statistics: Appeals Filed, Terminated, and Pending*, U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT, <http://www.cafc.uscourts.gov/the-court/statistics.html>.

²³¹ This assertion is based on my conversations with lawyers involved in cases transferred out of the Eastern District of Texas.

²³² 662 F.3d 1221, 1224 (Fed. Cir. 2011) (per curiam).

Civil Procedure.²³³ In short, the Federal Circuit is increasingly acting as a district court, aggressively reviewing decisions normally left to the discretion of the trial judge, and this expansion of appellate power might further undermine the efficiency of a litigation system that many already view as rather inefficient.

B. The Federal Circuit and the ITC, Briefly

U.S. district courts are not usually designed to be expert in any particular area.²³⁴ Any expertise that arises is likely a consequence of geography (such as the Southern District of New York in securities cases), the court's own work to develop a particular reputation (such as the Eastern District of Texas in patent cases), or some combination of both. But the International Trade Commission is designed with the potential to provide expert adjudication in patent infringement matters. The ITC is a quasi-judicial independent agency that is empowered to, among other things, prohibit importation of goods that infringe U.S. patents.²³⁵

While the ITC has had the power to issue exclusion orders since its inception in 1975,²³⁶ its jurisdiction over patent cases has become increasingly important in recent years. One reason is the Supreme Court's 2006 decision in *eBay Inc. v. MercExchange, L.L.C.*, which overturned the Federal Circuit's "general rule" that a patentee who prevailed in a district court on a claim of infringement was automatically entitled to an injunction prohibiting sales of the infringing product.²³⁷ Since *eBay*, district courts have granted about 75% of requests for injunctions, down from 95% before *eBay*.²³⁸ The Federal Circuit, however, has held that *eBay* does not apply to exclusion orders issued by the ITC.²³⁹ Predictably, the number of ITC investigations into patent infringement has grown, from about twelve per year in the 1990s, to twenty-two per year from 2000 to 2005, to forty-four per year from 2006 to the present.²⁴⁰ Given this extensive and

²³³ 677 F.3d 1351, 1354-55 (Fed. Cir. 2012).

²³⁴ *But see* Pilot Program in Certain District Courts, Pub. L. No. 111-349, 124 Stat. 3674 (2011) (experimental program permitting judges in certain districts to express a preference for hearing patent cases or to decline to hear patent cases).

²³⁵ See 19 U.S.C. § 1337(d).

²³⁶ See Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 73 (2008); see also Tariff Act of 1974, Pub. L. No. 93-618, 88 Stat. 2053 (forming the ITC from the former U.S. Tariff Commission).

²³⁷ 547 U.S. 388, 391 (2006).

²³⁸ Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. (forthcoming 2012) (manuscript at 11), available at <http://ssrn.com/abstract=2022168>.

²³⁹ *Spanson, Inc. v. Int'l Trade Comm'n*, 629 F.3d 1331, 1359 (Fed. Cir. 2010).

²⁴⁰ Number of Section 337 Investigations Instituted by Calendar Year, U.S. INT'L TRADE COMM'N, http://www.usitc.gov/intellectual_property/documents/cy_337_institutions.pdf.

growing experience with patent litigation, the ITC's administrative law judges are generally regarded as expert patent adjudicators.²⁴¹

Because the ITC is only recently emerging as an important forum for patent cases, less can be said about the power dynamic between it and the Federal Circuit. But the preliminary evidence suggests that the Federal Circuit, as in its other relationships, is reluctant to cede power over patent cases to the ITC. For instance, the Federal Circuit has not given *Chevron* or *Skidmore* deference to ITC decisions on patent validity, enforceability, or claim construction.²⁴² Moreover, the Federal Circuit reviews ITC claim construction de novo, and the court reverses ITC claim construction decisions at about the same high rates it reverses claim constructions of district courts with significant patent law dockets.²⁴³ Also, because the ITC can issue exclusion orders but cannot award damages, most ITC petitioners also file suit in federal court. But the Federal Circuit does not treat ITC determinations as preclusive in subsequent patent litigation. This leaves the court free to ignore, for example, an ITC decision finding infringement when it is faced with a district-court appeal on the same issue.²⁴⁴

If this preliminary evidence holds, the court will have minimized the role of the ITC—another potential site of patent law expertise—in shaping patent law and patent policy, just as the court has tried to do with the PTO and some district courts with patent-heavy dockets. The Federal Circuit will remain alone as the sole patent-law expert in the federal system.

V. THE HORIZONTAL RELATIONSHIP: THE FEDERAL CIRCUIT AND THE REGIONAL CIRCUITS

This Part develops the final piece in the taxonomy of Federal Circuit relationships: the horizontal relationship between the Federal Circuit and the regional circuits. One way in which the Federal Circuit interacts with the regional circuits is in determining whether an appeal from a federal district court “arises under” patent law, conferring exclusive jurisdiction on the Federal Circuit.²⁴⁵ As discussed above, the Federal Circuit has relied upon the need for uniformity in patent law to justify a relatively robust notion of which cases “arise under” patent

²⁴¹ David L. Schwartz, *Courting Specialization: An Empirical Study of Claim Construction Comparing Patent Litigation Before Federal District Courts and the International Trade Commission*, 50 WM. & MARY L. REV. 1699, 1702-03 (2009).

²⁴² Kumar, *supra* note __, at 1568 & n.112.

²⁴³ Schwartz, *supra* note __, at 1719-20 (noting that, because of differences between ITC investigations and district court litigation, “comparing reversal rates . . . must be done with caution”).

²⁴⁴ See *Tex. Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996).

²⁴⁵ See 28 U.S.C. § 1295(a)(1).

law, upholding Federal Circuit jurisdiction anytime the case requires an analysis of infringement or validity, even if the patent claims are only “hypothetical.”²⁴⁶

This Part introduces another mechanism through which the Federal Circuit competes for power against the regional circuits: choice of law rules. This mechanism provides a final illustration of Federal Circuit shape-shifting: the court acts like a regional circuit, increasingly applying its own law to all federal issues that arise on appeal, rather than limiting the scope of Federal Circuit law to patent issues only. Interestingly, however, the power expansion in this relationship has been less aggressive than in the three relationships studied thus far. The court, for instance, still applies regional circuit law to many issues that arise in patent cases. As a consequence, it can sometimes be difficult to predict which circuit’s law applies to a particular issue, leading to inefficiency and unpredictability. This Part will study two ways in which the Federal Circuit has expanded the reach of its own law: first, by explicitly altering its choice of law rules and, second, by treating Federal Circuit case law as binding, even if the relevant issue is, according to the court’s choice of law doctrine, controlled by regional circuit law.

A. Explicitly the Expanding Reach of Federal Circuit Law

Shortly after Congress created the Federal Circuit, the court established that it would apply its own law to (1) questions of substantive patent law, (2) procedural issues unique to patent law, and (3) questions of its own jurisdiction.²⁴⁷ The court would apply the law of the relevant regional circuit to all other questions. Commentators thus characterized the Federal Circuit’s approach to choice of law as “cautious”; early cases can be read to suggest that the Federal Circuit would defer to regional circuit law on many non-patent-law issues.²⁴⁸ Yet the court

²⁴⁶ As a factual matter, jurisdictional disputes implicating the horizontal relationship differ from cases implicating the federalism relationship. In the horizontal cases, there usually will be no dispute that federal jurisdiction over a state-law claim existed at the trial level, likely because the parties were of diverse citizenship. On appeal, however, the precise statutory basis for jurisdiction may become an issue because, if the state-law claim also arises under patent law, appellate jurisdiction is exclusive in the Federal Circuit. In *USPPS Ltd. v. Avery Dennison Corp.*, 647 F.3d 274, 277 (5th Cir. 2011), for instance, the district court granted summary judgment to the defendants on state-law claims that arose from the defendants’ work on the plaintiffs’ patent application. Apparently, there was no jurisdictional dispute in the district court because diversity existed. *See id.* On appeal, however, the Fifth Circuit transferred the case to the Federal Circuit because the plaintiffs could not recover without proving that their invention was patentable. *Id.* at 280, 284.

²⁴⁷ *See* Joan E. Schaffner, *Federal Circuit “Choice of Law”*: Erie Through the Looking Glass, 81 IOWA L. REV. 1173, 1181 (1996).

²⁴⁸ *See* Scott A. Stempel & John F. Terzaken III, *Casting a Long IP Shadow Over Antitrust Jurisprudence: The Federal Circuit’s Expanding Jurisdictional Reach*, 69 ANTITRUST L.J. 711, 726 (2001).

gradually expanded the category of procedural issues “unique” to patent law, applying its own law to transsubstantive matters such as personal jurisdiction,²⁴⁹ the standard for injunctive relief,²⁵⁰ declaratory judgment standing,²⁵¹ and the meaning of “prevailing party” under the Federal Rules of Civil Procedure,²⁵² among others.

The court expanded the reach of its law on procedural matters most dramatically in the en banc portion of its opinion in *Midwest Industries, Inc. v. Karavan Trailers, Inc.*²⁵³ The issue in that case was whether the plaintiff’s Lanham Act and state-law trademark claims were preempted by federal patent law.²⁵⁴ The court held that Federal Circuit law governed the preemption analysis, overruling an earlier decision that had applied regional circuit law.²⁵⁵ Significantly broadening the applicability of its own law to procedural issues, the court noted that Federal Circuit law would control (1) “if the issue pertain[s] to patent law,” (2) if the issue “bears an essential relationship to matters committed to [the Federal Circuit’s] exclusive control by statute,” or (3) if the issue “clearly implicates the jurisprudential responsibilities of [the] court in a field within its exclusive jurisdiction.”²⁵⁶ As seen throughout this Article, the court justified its expansion of authority with an appeal to its “obligation of promoting uniformity in the field of patent law.”²⁵⁷ The court has since deployed *Midwest Industries* to apply Federal Circuit law to determine whether patent-related Lanham Act and state-law unfair competition claims are preempted by federal *antitrust* law,²⁵⁸ and to additional transsubstantive issues, such as the attorney-client privilege.²⁵⁹ Nevertheless, there remain many important procedural issues to which the Federal Circuit (usually) applies regional circuit law, such as the standards for motions to dismiss and motions for judgment as a matter of law.²⁶⁰

²⁴⁹ *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1564-65 (Fed. Cir. 1994).

²⁵⁰ *Reebok Int’l Ltd. v. J. Baker, Inc.*, 32 F.3d 1552, 1555 (Fed. Cir. 1994).

²⁵¹ *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953, 954 n.3 (Fed. Cir. 1987).

²⁵² *Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1182 (Fed. Cir. 1996).

²⁵³ 175 F.3d 1356 (Fed. Cir. 1999) (en banc in relevant part).

²⁵⁴ *Id.* at 1357.

²⁵⁵ *Id.* at 1358-59.

²⁵⁶ *Id.* at 1359.

²⁵⁷ *Id.* at 1360.

²⁵⁸ *Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1347 (Fed. Cir. 1999).

²⁵⁹ *In re Spaulding Sports Worldwide, Inc.*, 203 F.3d 800, 803-04 (Fed. Cir. 2000).

²⁶⁰ See Ted L. Field, *Improving the Federal Circuit’s Approach to Choice of Law for Procedural Matters in Patent Cases*, 16 GEO. MASON L. REV. 643, 644-49 (2009) (noting inconsistency in the court’s approach to choice of law on these issues).

The Federal Circuit has also expanded the reach of its law on non-patent substantive issues, such as antitrust matters.²⁶¹ Initially, the court applied regional circuit law to patent-related antitrust claims, such as claims that a patent holder filed an infringement suit in bad faith.²⁶² In *Nobelpharma AB v. Implant Innovations, Inc.*, however, the court overruled this older precedent, instead holding that antitrust suits involving “conduct in procuring or enforcing a patent” would be governed by Federal Circuit law.²⁶³ To justify this expansion of Federal Circuit authority, the court again appealed to a need for uniformity, reasoning that by applying its own law, the court would “avoid the danger of confusion [that] might be enhanced if this court were to embark on an effort to interpret the laws of the regional circuits.”²⁶⁴ Since *Nobelpharma*, the court has applied Federal Circuit antitrust law to claims beyond fraudulent patent procurement and bad faith enforcement, applying Federal Circuit law to claims of tying²⁶⁵ and refusals to deal²⁶⁶ that involve patented products. But again, the extension of Federal Circuit law is incomplete, as the court regularly applies regional circuit law to, for example, non-patent-related aspects of antitrust claims (like market definition and market power).²⁶⁷

It is unusual for one circuit to apply another circuit’s law,²⁶⁸ and there are good reasons for criticizing the Federal Circuit’s choice of law doctrine. For one, the line between patent and non-patent matters is not always clear.²⁶⁹ For another, the court has inconsistently articulated its choice of law rules and has applied different bodies of law to the same issue in different cases.²⁷⁰ Attorney-client privilege, for instance, is sometimes governed by Federal Circuit law and sometimes by regional circuit law.²⁷¹ And, when the regional circuit has not

²⁶¹ See James B. Gambrell, *The Evolving Interplay of Patent Rights and Antitrust Restraints in the Federal Circuit*, 9 TEX. INTEL. PROP. L.J. 137, 141-42 (2001).

²⁶² See, e.g., *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 875 (Fed. Cir. 1985).

²⁶³ 141 F.3d 1059, 1068 (Fed. Cir. 1998) (en banc in relevant part).

²⁶⁴ *Id.* at 1068.

²⁶⁵ *Independent Ink, Inc. v. Ill. Tool Works, Inc.*, 396 F.3d 1342, 1346 (Fed. Cir. 2005), vacated on other grounds, 547 U.S. 28 (2006).

²⁶⁶ *In re Independent Serv. Orgs. Antitrust Litig.*, 203 F.3d 1322, 1325 (Fed. Cir. 2000).

²⁶⁷ See, e.g., *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 544 F.3d 1323, 1332 (Fed. Cir. 2008).

²⁶⁸ See Dreyfuss, *supra* note ___, at 37-38 n.219.

²⁶⁹ See Kimberly A. Moore, *Juries, Patent Cases and a Lack of Transparency*, 39 HOUS. L. REV. 779, 800-01 (2002).

²⁷⁰ See Field, *supra* note ___, at 644-45.

²⁷¹ Compare *In re Spaulding Sports Worldwide, Inc.*, 203 F.3d 800, 804 (Fed. Cir. 2000) (applying Federal Circuit law where the allegedly privileged document “relate[d] to an invention . . . consider[ed] for possible patent protection”), with *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1350-51 (Fed. Cir. 2005) (applying regional circuit law in determining whether

decided an issue governed by regional circuit law, the Federal Circuit “predict[s]” how the regional circuit would rule, creating the anomalous situation of a federal court not declaring but *predicting* the content of federal law.²⁷²

It may be more efficient for Federal Circuit law to apply to all matters in cases that arise under patent law. Even if this approach slightly complicates matters for district courts (who must become familiar with Federal Circuit non-patent law in patent cases), it would eliminate litigation over which circuit’s law applies and therefore enhance predictability. Also, to the extent that Federal Circuit law suffers from a lack of percolation,²⁷³ extending Federal Circuit law to more non-patent issues would require the court to regularly engage issues on which there are rich bodies of regional circuit law.²⁷⁴ Moreover, as I will discuss in the next section, the current choice of law rules can lead to the strange result that a long line of Federal Circuit decisions on a particular issue are not actually binding authority because that issue is governed by regional circuit law.

Given that the Federal Circuit has not been shy about expanding its power vis-à-vis other institutions, why has the Federal Circuit not taken an aggressive approach and applied its own law to all issues in patent cases? Answering this question entails some speculation about judicial motives. I will offer three possible reasons, but there certainly may be others. First, even under the current choice of law approach, the court retains the ability to define (or redefine) on an ad hoc basis which matters are controlled by Federal Circuit law. So, the court might see no need to further alter basic choice of law principles. The court can, for example, continue to apply regional circuit law to procedural matters (many of which, such as standards for dispositive motions, are uniform among the circuits anyway), but define issues as controlled by Federal Circuit law if the court disagrees with the law of the relevant regional circuit.²⁷⁵ Second, the Federal Circuit might be more cautious in the choice of law context because it is competing for power with formidable opponents: the regional circuits. If the Federal Circuit improperly attempted to supplant regional circuit law, a regional circuit might be more apt than, say, a district court, to criticize the Federal Circuit in a subsequent case.²⁷⁶ Finally, to apply Federal Circuit law to all issues in

waiver of privilege extended to communications concerning the on-sale bar of § 102(b) of the Patent Act).

²⁷² *E.g.*, *Wi-LAN, Inc. v. Kilpatrick Townsend & Stockton LLP*, --- F.3d ---, 2012 WL 2866297, at *2 (Fed. Cir. 2012).

²⁷³ *See, e.g.*, *Golden*, *supra* note ___, at 661-62.

²⁷⁴ *See Dreyfuss*, *supra* note ___, at 59.

²⁷⁵ *Cf. Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1364 (Fed. Cir. 1999) (applying Federal Circuit law, not Tenth Circuit law to a trade dress issue, noting that the Tenth Circuit’s approach “stands alone” among the circuits).

²⁷⁶ *Cf. Christianson v. Colt Indus. Operating Corp.*, 798 F.2d 1051, 1056-57 (7th Cir. 1986) (criticizing a Federal Circuit jurisdictional ruling as “clearly wrong”).

patent cases would require a dramatic legal change. The court would be forced to overrule three decades of precedent that is relevant to every appeal of district court patent litigation. Compared to other circuits, the Federal Circuit is a leader in convening en banc to change its law.²⁷⁷ But it would take a tremendous institutional commitment to overrule one of the foundational aspects of Federal Circuit practice.

Although the displacement of regional circuit authority is not complete, as an institutional matter, the court's choice of law doctrine still fits a pattern of growing Federal Circuit power based on a perceived need to protect legal uniformity. Indeed, although the court decided *Midwest Industries* and *Nobelpharma* over a decade ago, the expansion of Federal Circuit authority through choice of law doctrine continues today. In *EMC*, the mandamus decision discussed above, the court also considered which law should apply to a claim of improper joinder under the Federal Rules of Civil Procedure.²⁷⁸ While it might seem that joinder is a non-patent procedural issue (after all, the Federal Rules apply in all types of cases, not just patent cases), the court applied its own law, reasoning that “joinder in patent cases is based on an analysis of the accused acts of infringement.”²⁷⁹

B. Implicitly Expanding the Reach of Federal Circuit Law

While the Federal Circuit has expanded its power over the regional circuits explicitly by increasing the scope of issues governed by its own law, the court has also expanded the reach of its own law implicitly. Specifically, the court in some cases will acknowledge that, under its governing choice of law principles, it is bound to apply regional circuit law, but the court will nevertheless rely upon its own case law to develop a Federal Circuit-specific line of authority. This is what has occurred in, for example, the transfer of venue cases discussed above. Transfer of venue under § 1404(a) is a non-patent procedural issue that, the Federal Circuit has repeatedly acknowledged, is governed by regional circuit law.²⁸⁰ The court began its mandamus revolution by relying heavily on an en banc Fifth Circuit case that had granted mandamus to order the Eastern District Texas to transfer a tort case to the Northern District of Texas.²⁸¹

Over the past four years, however, the Federal Circuit has begun to rely more heavily on its own, growing body of § 1404(a) case law, rather than the

²⁷⁷ See Vacca, *supra* note __, at 736-44

²⁷⁸ *In re EMC Corp.*, 677 F.3d 1351, 1354 (Fed. Cir. 2012).

²⁷⁹ *Id.*

²⁸⁰ See, e.g., *In re Link_A_Media Devices Corp.*, 662 F.3d 1221, 1222-23 (Fed. Cir. 2011).

²⁸¹ See *In re TS Tech USA Corp.*, 551 F.3d 1315, 1319-22 (Fed. Cir. 2008) (citing *In re Volkswagen of Am., Inc.*, 545 F.3d 304 (5th Cir. 2008) (en banc)).

supposedly binding case law of the Fifth Circuit. For example, in *In re Morgan Stanley*, the court ordered transfer from the Eastern District of Texas to the Southern District of New York.²⁸² The court pointed out that the plaintiff and twenty-seven of the forty-one defendants were “headquartered in or close by the transferee venue,” similar to a prior decision in which the Federal Circuit granted transfer where the plaintiff and five of the twelve defendants were headquartered in the transferee venue.²⁸³ The court also rejected the plaintiff’s argument that, because half of the patents-in-suit had been asserted in a prior case in the Eastern District, judicial economy favored denial of transfer.²⁸⁴ The court analogized to two of its prior mandamus decisions, which it read to embrace the principle that “the proper administration of justice may be to transfer to the far more convenient venue even when the trial court has some familiarity with a matter from prior litigation.”²⁸⁵

Likewise, in *In re Biosearch Technologies, Inc.*, the Federal Circuit relied heavily on its own mandamus case law and ordered transfer from the Eastern District of Texas to the Northern District of California.²⁸⁶ The court conceded that its prior mandamus decisions were only “persuasive authority for transfer.”²⁸⁷ But the court nevertheless emphasized that “[i]n analogous situations, where an invention has no connection with Texas, we have determined that the asserted geographical centrality of Texas did not outweigh the many aspects of convenience to the defendant,”²⁸⁸ and that in other cases “this court ordered transfer from the plaintiff’s chosen Eastern Texas forum, noting ‘a stark contrast in relevance, convenience, and fairness between the two venues.’”²⁸⁹

These decisions and others²⁹⁰ illustrate how the Federal Circuit can, in practice ignore its choice of law principles to expand the reach of its authority. Yet again, the Federal Circuit’s expansion of power through choice of law has been less aggressive than in the other relationships this Article has studied, with

²⁸² 417 F. App’x 947 (Fed. Cir. 2011).

²⁸³ *Id.* at 948 (citing *In re Acer Am. Corp.*, 626 F.3d 1252, 1254 (Fed. Cir. 2010)).

²⁸⁴ *See id.* at 949.

²⁸⁵ *Id.* (citing *In re Verizon Business Network Servs. Inc.*, 635 F.3d 559 (Fed. Cir. 2011); *In re Zimmer Holdings, Inc.*, 609 F.3d 1378 (Fed. Cir. 2010)).

²⁸⁶ 452 F. App’x 986 (Fed. Cir. 2011).

²⁸⁷ *Id.* at 989.

²⁸⁸ *Id.* at 988 (citing *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009)).

²⁸⁹ *Id.* at 989 (citing *In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009); quoting *In re Hoffmann-La Roche*, 587 F.3d 1333 (Fed. Cir. 2009)).

²⁹⁰ *See In re Apple Inc.*, 456 F. App’x 907, 909 (Fed. Cir. 2012) (denying transfer, noting that, “measured against cases like *Volkswagen*, *TS Tech*, *Genentech*, and *Acer*, there [was] a plausible argument that Apple,” the party seeking transfer, “did not meet its burden of demonstrating . . . that the transferee venue [was] ‘clearly more convenient’”).

the court expanding the scope of its law to some, but not all patent issues, and with some of the expansion occurring implicitly, rather than through explicit alteration of doctrine. This less aggressive approach is particularly interesting in the horizontal relationship because, as discussed, patent litigation might actually benefit from the Federal Circuit applying its own case law as binding precedent to non-patent issues, like transfer of venue. In any event, by applying its own law to more and more issues, the Federal Circuit can still be viewed as shifting into yet another role, that of a regional circuit, which will, in most cases, simply apply its own law to any issue that comes before it.

VI. POWER EXPANSION: CAUSES, CONSEQUENCES, AND SOLUTIONS

The taxonomy of four relationships developed by this Article illustrates that, in various ways, for various reasons, and to various degrees, the Federal Circuit has expanded its own power at the expense of other government bodies. This Part synthesizes this description of power dynamics to explore influences on the decision-making process of a specialized court.²⁹¹ After providing a preliminary glimpse into this “black hole” of judicial behavior,²⁹² I then consider normative steps that might remedy the potentially negative effects of Federal Circuit power expansion.

A. Into the Black Hole: Judicial Behavior on a Specialized Court

Scholars have previously theorized that judicial specialization might lead the specialized court to expand its power. Ori Aronson, for example, has noted the danger that specialized courts might “broadly interpret their jurisdictional empowerments in order to maintain a continuing flow of cases[,] . . . justify their existence[,] and perhaps garner more attention, respect, funds, and judgeships.”²⁹³ The taxonomy developed thus far provides qualitative support for this theorizing about power expansion. Yet it also raises deeper questions about why we see this expansion occur and whether, as a normative matter, this expansion is desirable.

²⁹¹ I use the term “specialized” to refer to a court whose jurisdiction is defined by case subject matter, rather than geography. The Federal Circuit is, of course, a “semi-specialized” court because of its jurisdiction over numerous subject areas. RICHARD A. POSNER, *THE FEDERAL COURTS: CHALLENGE AND REFORM* 245 (1996). For ease of reading, I will refer to the Federal Circuit as a specialized court, except when its semi-specialized nature is germane to the analysis.

²⁹² *Cf.* *Phillips v. AWH Corp.*, 415 F.3d 1303, 1330 (Fed. Cir. 2005) (en banc) (Mayer, J., dissenting) (arguing that, by interpreting patent claims de novo, with no deference to the district court, the Federal Circuit has “substitut[ed] . . . a black box, as it so pejoratively has been said of the jury, with the black hole of this court”).

²⁹³ Ori Aronson, *Out of Many: Military Commissions, Religious Tribunals, and the Democratic Virtues of Court Specialization*, 51 VA. J. INT’L L. 231, 259 (2011); *see also* Chad M. Oldfather, *Judging, Expertise, and the Rule of Law*, 89 WASH. U. L. REV. 847, 877 (2012) (positing that a specialized court might make more issues questions of law, “allocat[ing] the power to decide certain issues to itself, rather than to juries”).

It seems unlikely that the Federal Circuit is simply after power for power's sake. Rather, an assortment of complex and nuanced influences—such as the court's institutional identities as unifier of patent law and expert patent tribunal—have arguably led the court to incrementally expand its authority. Some power expansions (such as *de novo* review of claim construction) have caused problems in the patent system, but, in at least one other area (choice of law) the court might be too modest.

My aim here is to highlight, and to begin to fill, a gap in understanding how judges on a specialized appellate court, as opposed to judges on courts of general or geographic jurisdiction, make decisions in cases in which existing doctrine provides no required answer. Scholars have, of course, developed many theories of judicial decision-making.²⁹⁴ I draw frequently on the economic, or public choice, theory, but other theories—the sociological, psychological, and attitudinal, among others—are clearly relevant. In addition, given the analysis above, I introduce other considerations that do not fit neatly into any existing theory. To start a conversation about how judicial decision-making might differ along the generalist/specialist divide, this section will discuss four factors that seem uniquely relevant on a specialized court.

Institutional Identity. Specialized courts are usually created to deal with particular problems, such as the Federal Circuit's dual missions of providing uniformity in patent law and expertise in patent cases. The court has relied upon the uniformity justification to assert jurisdiction over state-law claims, to refuse deference to inferior tribunals, and to expand the reach of Federal Circuit law. The court is coy about how expertise factors into its decision-making, but there is a reasonable argument based on existing case law that the court is uncomfortable with other institutions, such as the PTO or district courts with heavy dockets of patent cases, becoming loci of patent-law expertise.

Moreover, it is reasonable to view examples of patent law or Federal Circuit exceptionalism as flowing from institutional identity. Creating a specialized court signals that a particular area of law is “different,” and so departures from general legal principles can be justified in the name of those differences. It is not surprising, then, to see the court appeal to uniformity to support its jurisdiction

²⁹⁴ See RICHARD A. POSNER, *HOW JUDGES THINK* ch. 1 (2008) (outlining nine theories of judicial behavior).

over case-specific applications of patent law to state-law claims²⁹⁵ and its unusually searching review of agency adjudication.²⁹⁶

The distorting effect of the Federal Circuit's institutional identity is compounded as other courts, deferring to the expert court's exceptional treatment of patent law, cede authority in the name of uniformity. For example, in the horizontal relationship, at least one regional circuit has relied upon the uniformity rationale to justify departure from its general principles of jurisdiction. In a patent-related tort case, the Fifth Circuit refused to follow its own prior opinion in a trademark case, which had "expressly decline[d] to follow" the Federal Circuit's "arising under" case law.²⁹⁷ Instead, the court followed *Air Measurement and Immunocept* and transferred the case to the Federal Circuit because of "the strong federal interest in the removal [of] non-uniformity in the patent law."²⁹⁸ And, in the federalism relationship, the Texas Supreme Court has relied upon those same cases to cede its jurisdiction over patent-related malpractice claims, noting the "interest in the uniform application of patent law by courts well-versed in that subject matter."²⁹⁹

Judicial Reputation/Prestige of the Institution. Another important factor, drawn from public choice theory, is the reputation or prestige of the judges or the court as an institution. While a specialized court might be able to enhance its reputation with the bar that practices before it, the court's narrower docket might make it difficult for judges to enhance their reputation to the legal community at large. A specialized court might, however, have a unique ability to overcome this obstacle by enhancing its prestige as an institution.

It could do this in two ways. First, it could formulate rules that enhance the social importance of the law within its domain. There seems to be little dispute that patent law is more important now than before Congress created the Federal Circuit, if importance is judged by the size of the patent bar, expenditures on

²⁹⁵ *Immunocept LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281, 1284-85 (Fed. Cir. 2007) ("Congress' intent to remove non-uniformity in the patent law, as evidenced by its enactment of the Federal Courts Improvement Act of 1982, is further indicium that § 1338 jurisdiction is proper [over state-law malpractice claims]." (citation omitted)).

²⁹⁶ *In re Zurko*, 142 F.3d 1447, 1458-59 (Fed. Cir. 1998) (noting that review of PTO fact-finding under a clear error standard, rather than the APA standards, "promote[s] consistency between our review of the patentability decisions of the [PTO] and the district courts in infringement litigation") *rev'd sub nom.*, *Dickinson v. Zurko*, 527 U.S. 150 (1999).

²⁹⁷ *See USPPS, Ltd. v. Avery Dennison Corp.*, 647 F.3d 274, 282 (5th Cir. 2011) (alteration in original).

²⁹⁸ *Id.* (alteration in original).

²⁹⁹ *Minton v. Gunn*, 355 S.W.3d 634, 646 (Tex. 2011).

patent protection and litigation, and public awareness of the field.³⁰⁰ This increased importance can be attributed in part to the Federal Circuit, which has, according to most commentators, relaxed the requirements to obtain a patent in the thirty years of the court's existence.³⁰¹

The second way in which a specialized court might enhance its prestige is by increasing the institution's importance to the law it administers. Evidence of this behavior can be found in the power dynamics discussed above, especially when the court develops doctrines that solidify its position as the only expert patent institution. In the separation of powers relationship, for instance, the court has curtailed the PTO's ability to shape substantive patent law. Similarly, in the vertical relationship, the court has used mandamus to direct many patent cases out of the Eastern District of Texas and has minimized its deference to the ITC, both of which might be thought of as "expert" trial forums due to their significant dockets of patent cases. And, in the federalism relationship, the court increases its profile and importance by broadly asserting jurisdiction over claims created by state law. All of this solidifies the Federal Circuit's position as the most important institution in patent law.

This type of prestige self-enhancement would be nearly impossible on a regional circuit. While certain regional circuits are perceived as more prestigious than others, the factors fueling the prestige are largely beyond the judges' control. For example, the D.C. Circuit's administrative law cases are largely directed by specific jurisdictional provisions.³⁰² While individual judges can certainly enhance their individual reputations for excellence (mostly through opinion writing), it would be difficult to leverage this individual excellence into an increased importance of the court itself.

Popularity. Discussion of judicial and institutional reputation leads to another factor that Judge Richard Posner has identified as relevant to judicial behavior generally: popularity with the bar.³⁰³ This effect may be exacerbated in a specialized court whose work is, by definition, relevant only to one or a small

³⁰⁰ See Cecil D. Quillen, Jr., *Innovation and the Patent System*, 1 VA. L. & BUS. REV. 207, 224-30 (2006).

³⁰¹ See JAFFE & LERNER, *supra* note __, at 110-25.

³⁰² See JEFFREY BRANDON MORRIS, CALMLY TO POISE THE SCALES OF JUSTICE: A HISTORY OF THE COURTS OF THE DISTRICT OF COLUMBIA CIRCUIT 285 & n.9 (2001) (describing the court's exclusive jurisdiction over numerous types of administrative appeals).

³⁰³ Richard A. Posner, *What Do Judges and Justices Maximize? (The Same Thing Everybody Else Does)*, 3 SUP. CT. ECON. REV. 1, 13 (1993); accord Frederick Schauer, *Incentives, Reputation, and the Inglorious Determinants of Judicial Behavior*, 68 U. CIN. L. REV. 615, 629 (2000).

number of components of the bar.³⁰⁴ Moreover, the judges of the court will likely be drawn from that group. So, specialized judges might favor legal rules that please its specialized bar.³⁰⁵

There is both empirical and qualitative support for the proposition that the Federal Circuit has shaped patent law to please the patent bar. First, as an empirical matter, the creation of the court can be linked to increased legal activity in the field of patent law. The number of patents issued has grown from 57,888 in 1982 (the year Congress created the court) to a record high of 224,505 in 2011.³⁰⁶ The amount of patent litigation has also increased.³⁰⁷ Analyzing this data, William Landes and Judge Posner concluded that “the creation of the Federal Circuit appears to have had a positive and significant impact on the number of patent applications, the number of patents issued, the success rate of patent applications, [and] the amount of patent litigation.”³⁰⁸

Moreover, increased activity in patent law can be tied to the conduct described above. Consider, for example, the vertical relationship, in which the Federal Circuit has frequently reversed district courts on relatively fact-intensive questions, like claim construction. Indeterminacy in claim construction can encourage increased litigation by, for example, making litigation the only way to determine the claims’ true meaning and encouraging patent holders to assert weak infringement claims.

Institutional Preservation. Because specialized courts are often viewed as experimental exceptions to the norm of geographic jurisdiction, judges of specialized courts might also be motivated to preserve the existence of their court, or to ensure the court continues to exist with its current jurisdiction. If a specialized court’s caseload is too small, there may be political pressure to either abolish the court or to add additional areas to the court’s jurisdiction. To avoid this discussion, the specialized court might adopt legal rules to enlarge the size of its docket. For example, by holding that all patent-related malpractice cases “arise under” patent law, the Federal Circuit has redirected these state-law claims to federal court and, ultimately, to itself on appeal. Similarly, the court can enlarge its docket by expanding possibilities for interlocutory review, which it has

³⁰⁴ See Gillian K. Hadfield, *The Levers of Legal Design: Institutional Determinants of the Quality of Law*, 36 J. COMP. ECON. 43, 60 (2008).

³⁰⁵ See LYNN M. LOPUCKI, *COURTING FAILURE: HOW COMPETITION FOR BIG CASES IS CORRUPTING THE BANKRUPTCY COURTS* 20-24 (2005) (describing this phenomenon in the context of bankruptcy litigation).

³⁰⁶ See U.S. Patent Activity, *supra* note __.

³⁰⁷ LANDES & POSNER, *supra* note __, at 348.

³⁰⁸ *Id.* at 352. This is not to say that the Federal Circuit has been the *sole* force behind patent law’s increasing prominence. See Long, *supra* note __, at 1984-88 (discussing the successful efforts of the PTO and various interest groups to lobby for increased funding for the agency).

done by increasing the availability of mandamus on issues such as transfer of venue. Finally, practices or rules that encourage patent litigation generally—such as high reversal rates or the relaxation of validity requirements—can also enlarge the court’s docket.

To gauge the consequences of these potentially docket-enlarging rules, I compiled a novel dataset that compares the Federal Circuit’s caseload relative to the other circuits. Interestingly, it shows that despite these rules the court in 2011 had the second smallest per-judge caseload among all the circuits.

Court of Appeals Case Terminations Per Active Judge (FY 2011)³⁰⁹

Circuit	Active Judges	Terminations	Terminations per Judge
Eleventh	10.42	4616	443
Ninth	25.67	9635	375
Fifth	15.58	5444	349
Fourth	13.25	4128	312
Second	11.08	3383	305
Sixth	15.17	3891	257
Third	13.75	3393	247
Eighth	11	2464	224
Seventh	10	1912	191
First	6	1001	167
Tenth	10.5	1673	159
Federal	10	901	90
D.C.	9	637	71
OVERALL	161.42	43,078	267

³⁰⁹ These figures run from October 1, 2010 to September 30, 2011 and are derived in part from 2011 JUDICIAL BUSINESS, *supra* note __, tbls.B-1, B-8. To calculate each court’s active judges for the period, I took the total number of judges serving for the entire period and added to that figure an appropriate fraction of the year for each judge that was added to the court, retired from the court, or took senior status during the year. To simplify the calculations, I included judges added to a court in the “active judge” count beginning on the first of the month after Senate confirmation. For judges who retired or took senior status, I removed them from the “active judge” count beginning on the first of the month after the status change took effect.

As shown in the table below, the Federal Circuit has maintained this low position over the longer run. In 2010, the court also ranked second-to-last in number of adjudications per active judge. And in 2009, the court ranked last.

Court of Appeals Case Terminations Per Active Judge (FY 2009-11)

Circuit	2011	2010	2009	Average
Eleventh	443	415	471	443
Second	305	461	400	389
Ninth	375	375	339	363
Fourth	312	340	391	347
Fifth	349	337	307	331
Third	247	265	254	255
Eighth	224	258	235	239
Sixth	257	213	221	230
Seventh	191	211	221	208
First	167	211	245	208
Tenth	159	167	156	161
Federal	90	80	88	86
D.C.	71	66	92	76

This data has three implications. First, it suggests that any effort by the court to increase its caseload has thus far been unsuccessful. Second, and relatedly, it suggests that the court may continue to adopt rules that encourage appellate patent litigation. For example, as discussed, the court has recently used mandamus review interlocutory decisions on joinder and to review venue decisions outside of the Eastern District of Texas, and has refused to reconsider en banc its jurisdictional case law.

Finally, the Federal Circuit's small per-judge caseload raises broader questions about whether the court is as busy as it should be. One might retort that the court is busier than these empirics suggest. The average Federal Circuit case, the argument would go, is much more difficult than the average regional circuit case, for patent cases are quite complex. But patent cases comprise less than half of the Federal Circuit's caseload (43%). A similar proportion (37%) is comprised of veterans appeals and appeals from the Merit Systems Protection Board.³¹⁰ It is reasonable to claim that most veterans and personnel cases are *easier* than the

³¹⁰ Appeals Filed by Category, FY 2011, U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT, http://cafc.uscourts.gov/images/stories/the-court/statistics/Caseload_by_category_2011.pdf.

average regional circuit case. Many veterans cases are dismissed for lack of jurisdiction because the court may review legal questions only,³¹¹ and former Chief Judge Paul Michel has stated that a personnel case can be disposed of in about one-tenth the time of a patent case.³¹² In any event, while the complexity of patent cases may justify the Federal Circuit having a modestly smaller caseload than the regional circuits, it is questionable whether the court should carry one-fifth of the load of the Eleventh Circuit and one-fourth of the load of the Second, Fourth, Fifth, and Ninth Circuits.

Shape-Shifting as a Consequence of Specialization. One theme discussed repeatedly above but not yet discussed in connection with this analysis is the Federal Circuit's shape-shifting behavior, sometimes acting as a fact-finder, agency administrator, state court, and so on. I have not discussed this phenomenon because it does not appear to be an end to itself. Rather, it seems to be a consequence of the other factors that flow from specialization. For example, to carry out a mission of ensuring legal uniformity, a specialized court might naturally exclude other decision-makers from shaping the law under its domain. To do this, the court can do what the Federal Circuit has done: act as an agency administrator and reduce the power of agency, act as a trial court and decide as many matters as possible de novo, and so on.

* * *

This analysis has introduced four factors that might be uniquely important when determining how judges of specialized courts make decisions, at least in close cases. Specialized courts are often created to carry out particular missions and, as seen by the Federal Circuit's frequent appeal to uniformity, *institutional identity* will likely play a role. Also, specialized courts by their very nature are likely to be viewed by the interested public as less important than their generalist peers. To combat this, judges of specialized courts might seize on their unique ability to *enhance the prestige of the court as an institution*. Relatedly, specialized judges might seek to increase their *popularity*, and may have a unique ability to do so because of their exclusive jurisdiction and proximity to a smaller bar. Finally, because specialized courts might be viewed as experimental in our system of geographically defined jurisdiction, the court might seek to *preserve the institution*, which it might do by favoring rules that enlarge its docket.

All of these factors, moreover, can be linked to pressing problems in the patent system. The Federal Circuit's quest for uniformity, for example, has

³¹¹ See Michael P. Allen, *Significant Developments in Veterans Law (2004-2006) and What They Reveal About the U.S. Court of Appeals for Veterans Claims and the U.S. Court of Appeals for the Federal Circuit*, 40 U. MICH. J.L. REFORM 483, 524 (2007).

³¹² Paul R. Michel, Foreword, *The Court of Appeals for the Federal Circuit Must Evolve To Meet the Challenges Ahead*, 48 AM. U. L. REV. 1177, 1181 (1999).

arguably fueled unpredictability in patent claim construction. Significant growth in the number of patents and an increase in patent litigation, both of which lead to greater business expenditure on patent-related legal services, also coincide with the court's creation and fuel the prestige of the court and the notoriety of its judges. Finally, growth in litigation and expenses might also be encouraged by emerging doctrines that increase the amount of appellate patent litigation, such as expansions of interlocutory review and exclusive patent jurisdiction, which might also be viewed as efforts to preserve the court as an institution.

B. Directions for Future Inquiry: The Perils of Semi-Specialization and the Possibility of Limited Specialization

One way in which future work might add to this analysis is to consider other factors that have been identified as relevant to judicial behavior on generalist courts, such as the preference for leisure over hard work,³¹³ the desire to maintain collegial relationships with colleagues,³¹⁴ the desire to avoid reversal,³¹⁵ and the satisfaction derived from the mere act of voting.³¹⁶ Another important step would be to explore how the Federal Circuit's semi-specialized nature influences the primitive model of decision-making that I have sketched.

Although this Article has focused on patent law, the Federal Circuit has jurisdiction over many non-patent matters, such as veterans benefits, government personnel matters, government contract disputes, and so on. I argued above that specialized courts might have a unique ability to promote the importance of the areas of law over which they have jurisdiction. This principle might have a corollary in a semi-specialized court like the Federal Circuit: the semi-specialized court may be able to promote certain areas of its jurisdiction and also marginalize others. For example, if judges receive significant rewards (or scrutiny) for their decisions in one field, the judges might care deeply about those cases, devote more time to them, and so on. By contrast, if another field within the court's

³¹³ See Christopher R. Drahozal, *Judicial Incentives and the Appeals Process*, 51 SMU L. REV. 469, 476 (1998). One obvious analogue in the Federal Circuit is the court's supposed preference for bright-line rules over context-specific standards. See Lee, *supra* note __, at 7 (arguing that formalist rules reduce the cognitive burden of engaging complex technology); David Olson & Stefania Fusco, *Rules Versus Standards: Competing Notions of Inconsistency Robustness in Patent Law*, 63 ALA. L. REV. (forthcoming 2012) (manuscript at 153), available at, <http://ssrn.com/abstract=2031158> (arguing that, because the Federal Circuit has jurisdiction over all patent cases, it benefits more from bright-line rules than the regional circuits, which decide cases in many different areas).

³¹⁴ See POSNER, *supra* note __, at 61-62. This, too, could be an interesting factor, for the judges of the Federal Circuit, unlike those of any other federal appellate court, are required to live within fifty miles of their courthouse. See 28 U.S.C. § 44(c) (requiring the judges of the Federal Circuit to reside within fifty miles of the District of Columbia).

³¹⁵ See LAWRENCE BAUM, *THE PUZZLE OF JUDICIAL BEHAVIOR* 115-19 (1997).

³¹⁶ See Posner, *supra*, note __ at 15-19.

jurisdiction is largely ignored by the bar, the academy, and the public, the judges might—consciously or not—devote less time and care to cases in that area.

The proponents of a semi-specialized model of Federal Circuit jurisdiction argued that it would be the best of all worlds: it would bring about patent law uniformity while also avoiding the negative effects theorized to be associated with specialization, such as interest group capture,³¹⁷ lack of deference to trial judges and fact-finders,³¹⁸ and poorly reasoned doctrines stemming from a lack of dialogue with peer-level courts.³¹⁹ My analysis, however, raises the possibility that semi-specialization is actually the *worst* model of achieving uniformity in one particular area. Not only has Federal Circuit patent law arguably embodied these theorized problems, semi-specialization provides an opportunity to prioritize certain areas, most likely the area the court was created to unify, patent law, over others. For example, the Federal Circuit has refused to give *Chevron* deference to the PTO's ultimate decision on patentability, but it has applied *Chevron* to every other adjudicative body it reviews, including the Court of Appeals for Veterans Claims, the Merit Systems Protection Board, and even the Trademark Trial and Appeal Board within the PTO.³²⁰

To be clear, I am not here arguing that the Federal Circuit has, in fact, marginalized non-patent areas of its docket. What I am arguing is that semi-specialization may not overcome the dangers thought to be associated with specialized courts and may, in fact, present additional dangers that have never been contemplated. Future work might try to confirm (or refute) a hypothesis of power minimization in non-patent areas. A comprehensive inquiry, however, could be far more complex than the study of patent law I have presented in this Article. For example, the Federal Circuit has a high affirmance rate in areas like veterans benefits and government personnel.³²¹ While one might cite this as evidence of marginalization, it is also important to note that those cases are governed by deferential standards of review set by statute. It might thus be very difficult to segregate any evidence of power minimization from the effects of statutory regimes that explicitly forbid searching appellate review.

³¹⁷ PAUL D. CARRINGTON ET AL., JUSTICE ON APPEAL 168 (1976).

³¹⁸ Jay P. Kesan & Gwendolyn G. Ball, *Judicial Experience and the Efficiency and Accuracy of Patent Adjudication: An Empirical Analysis of the Case for a Specialized Patent Trial Court*, 24 HARV. J.L. & TECH. 393, 406 (2011).

³¹⁹ POSNER, *supra* note __, at 257-58.

³²⁰ See Nard, *supra* note __, at 1432-33 (citing cases).

³²¹ See HOWARD T. MARKEY, THE FIRST TWO THOUSAND DAYS: REPORT OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT 1982-1988 at 20 (1988); James D. Ridgway, *Changing Voices in a Familiar Conversation about Rules Vs. Standards: Veterans Law at the Federal Circuit in 2011*, 61 AM. U. L. REV. 1175, 1224 (2012).

Still, this discussion reemphasizes a point I have made elsewhere³²²: there is essentially no empirical or theoretical support for the current Federal Circuit model of semi-specialization. Non-patent litigants may suffer because of an institutional focus on patent law, and patent law may suffer because the court's non-patent jurisdiction is not "generalist" at all: it is comprised of many different narrow, largely non-commercial areas of law related to government administration. It may, therefore, be useful to consider the potential benefits of an alternative model that I call *limited specialization*. The idea behind this approach would be to remove the Federal Circuit's exclusive jurisdiction over most or all non-patent areas and instead grant the court non-exclusive jurisdiction over other sophisticated areas of the law that are perceived to be relatively important. For example, the court might retain its exclusive jurisdiction over patent cases, but also be given geographic jurisdiction over a small area, such as the District of Columbia or portions of the current Fourth Circuit. Or the court could be randomly assigned cases that would normally be appealed to the regional circuits.

The court's broader non-patent docket would potentially remove some of the influences that I have argued lead the court to enhance its power over patent law at the expense of other institutions. For example, the steady flow of cases and greater perceived permanence flowing from geographic jurisdiction could reduce worries about institutional preservation and pressure to use patent law as a mechanism to enhance the court's prestige. Moreover, to the extent these non-patent disputes include business cases, the court might better understand the innovation process across industries, addressing a common criticism of the court's patent jurisprudence. In short, a broader non-patent docket would make the Federal Circuit less exceptional; it would shift the court's shape permanently to resemble a regional circuit.

Moreover, under this approach of limited specialization, the court could continue to keep patent law relatively uniform. Of course, if the court still has exclusive jurisdiction, it could still exclude other bodies, for example, the PTO, from crafting substantive patent law. But the court's more generalized jurisdiction might reduce pressure to be perceived as *the patent court* and help eliminate incentives to minimize the role of other potentially expert institutions. Also, a regular docket of issues that are addressed in different ways by different circuits might permit the court to appreciate the benefits of inter-institutional dialogue on issues of patent law.

CONCLUSION

While scholars have developed increasingly sophisticated models of judicial decision-making, these models have, by and large, focused on judges of courts

³²² See Gugliuzza, *supra* note ___, at 1494.

with generalized jurisdiction.³²³ As this Article has suggested, however, these models may not accurately explain the behavior of judges on courts with more limited jurisdiction. Limiting jurisdiction by case subject matter may create unique incentives for judges to enhance their power over certain areas. Future research can advance the work I have done here by identifying additional factors that might influence the behavior of judges on specialized courts, in an effort to construct a more complete model of judicial decision-making. Going forward, this model would help illuminate institutional solutions to current problems with the patent system and would also help ensure a fair forum for all litigants at the Federal Circuit.

³²³ For a notable exception, see Banks Miller & Brent Curry, *Expertise, Experience, and Ideology on Specialized Courts: The Case of the Court of Appeals for the Federal Circuit*, 43 *LAW & SOC. REV.* 839, 856 (2009) (finding that Federal Circuit judges with prior experience in patent law register more ideologically consistent votes in patent cases).