

Connecticut Intellectual Property Law Association

New Haven, January 22, 2009

TOP TEN PATENT ISSUES*

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Appendix: *Comiskey* Appellate *De Novo* Review of PTO Rejections

* Paper presented to the Connecticut Intellectual Property Law Association, New Haven, Conn., January 22, 2009.

This paper represents the personal views of the author and does not necessarily reflect the views of any colleague, organization or client thereof. This version: January 21, 2009.

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1. *Lucent v. Gateway*: Patent Damages in Court and Congress

Just as the electronics/information technology coalition had once sought a *legislative* end to automatic injunctive relief for patentees but instead judicially won their battle in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), the battle to limit patent damages that had dominated the 110th Congress as the most controversial patent reform item is now playing before the Federal Circuit in *Lucent Technologies, Inc. v. Gateway, Inc.*, Fed. Cir. No. 2008-1485.

For the past three years patent law reform has been stymied over the contentious issue of damages, including “damages apportionment” and damages keyed to the whole market value raised by the EE/IT coalition:

Lucent v. Gateway squarely manifests the challenge raised by the EE/IT coalition and provides an opportunity in the first instance for the Federal Circuit and later the Supreme Court to judicially visit these issues. Because the matter will be pending for quite some time, this case will be perhaps more important as the EE/IT coalition’s poster child for arguments on Capitol Hill for damages reforms, making this perhaps the most important pending patent appeal for this reason alone.

Here, a roughly \$ 500,000,000.00 damages award is challenged where one piece of “Windows” was found to infringe. The damages issue is dealt with in the brief of defendant-accused infringer Microsoft in its brief at § IV, *The Damages Award is Legally Unsupportable* (pp. 53-63).

Issue 3: “Where indirect infringement is found, can damages be based on the entire market value of the accused products where the allegedly infringing features are neither necessary for use of the products nor the basis for consumer demand and where there is no evidence of any instance of direct infringement?”

a. Congress, Here We Come!

It is apparent that this case will be a poster child example for the EE/IT legislative push for damages reform in the coming 111th Congress that commences in January.

Because this case has the double purpose for *both* judicial and legislative changes, it clearly qualifies as a most important case for the coming two years.

b. An Independent Expert's Assessment of the Issues in this Case

A leading patent litigator who has been a leader of the 21st Century Coalition has highlighted the importance of this case. He states that he is “not involved in this case, [but has] been following it as part of the damages reform process. It is [his] understanding from reading Microsoft's brief and the trial court's order on [accused infringer] Microsoft's motion for JMOL that the issue in this case is the appropriateness of application of the entire market value rule, not apportionment.

“These terms have been thrown around with little distinction in the patent reform process, and because people's complaints about patent damages run the gamut from jury instructions to expert testimony the term ‘damages apportionment’ isn't really an appropriate moniker.

“‘Patent damages reform’ is much more accurate. ... Microsoft argues that the jury applied the entire market value rule without evidence that the claimed invention was *the* reason for the consumer demand. Judge Huff rejected this argument on JMOL, stating: ‘The jury did not adopt either side's approach outright. By examining the hypothetical scenario from the parties' standpoint at the time infringement began, the jury may have considered a wide variety of factors, not merely the actual product revenue. Therefore, the award does not reflect an entire market value calculation on its face.

“Furthermore, the court concludes that substantial evidence supports the jury's verdict, whether or not the entire market value rule applies.’ June 19, 2008 Order at 26. In other words, according to Judge Huff, we have no idea how the jury picked the number it did, so the entire market value rule point isn't relevant.

“That simply doesn't appear to be correct. Microsoft's brief explains what Lucent's expert (Roger Smith) testified to, and it appears he used software as the royalty base, not computers, as Judge Brewster threw out in the companion case, but he apparently raised his royalty rate from 1 % to 8 % to account for using software as the base instead of the computer system. In contrast, Microsoft's expert apparently relied on the trivial nature of the invention as compared to the entire software to come in with much lower numbers. To get to the numbers the jury did, it would appear that they had to buy into Roger Smith's reasoning, and to have applied the entire market value rule.

“Microsoft argues that there was no evidence supporting that the patented features were *the* basis for the consumer demand. And if that is the case, under what would seem to be very clear Supreme Court and Federal Circuit precedent, it would seem that the verdict cannot stand.

“The Apple and Oracle amicus brief was a great move to bring added attention to the entire market value rule issue, one that [the contributor] hope[s] the Court will

address. If the Court sends a strong message, as Apple and Oracle urge, this issue could be dropped and patent reform could proceed constructively. ...[T]his case could operate just like *eBay*, and *KSR*, and *Seagate* . . . to focus patent reform on what needs to be done legislatively.”

2. *Cybor De Novo Review: Limitations on the “Instant Replay” Booth*

Appellate *de novo* claim construction remains one of the major issues for patent reform. The court came within a whisker of granting *en banc* review to this issue in *Amgen Inc. v. Hoechst Marion Roussel, Inc.* 469 F.3d 1039 (Fed. Cir. 2006)(order denying suggestion for reh’g en banc). As explained by the Chief Judge:

“Rehearing this case en banc would have enabled us to reconsider *Cybor*’s rule of *de novo* review for claim construction in light of our eight years of experience with its application. I have come to believe that reconsideration is appropriate and revision may be advisable.

“[F]our practical problems have emerged under the *Markman- Cybor* regime: (1) a steadily high reversal rate; (2) a lack of predictability about appellate outcomes, which may confound trial judges and discourage settlements; (3) loss of the comparative advantage often enjoyed by the district judges who heard or read all of the evidence and may have spent more time on the claim constructions than we ever could on appeal; and (4) inundation of our court with the minutia of construing numerous disputed claim terms (in multiple claims and patents) in nearly every patent case.

“Our standard of review of no deference to the trial judge's claim constructions, expressed in *Cybor*, rests upon the premise that claim construction is always a purely legal exercise, devoid of factual content. We have likened claim construction to statutory construction. I believe that this analogy is open to serious question. In interpreting statutes, a judge, whether trial or appellate, essentially asks himself/herself, ‘What does the disputed term mean to me, the judge, as an artisan in the law?’ With claim construction, on the other hand, the judge is supposed to inquire, essentially, ‘How would the average artisan in the relevant field of technology understand the disputed claim terms in the context of the rest of the patent, the prosecution history, and the prior art?’

“It seems to me that the claim construction question often cannot be answered without assessing, at least implicitly, what the average artisan knew and how she thought about the particular technology when the patent claims were written. To make such determinations, the trial judge necessarily relies upon prior art

documents and other evidence concerning the skill of the ordinary artisan at the relevant time. Indeed, trial judges are arguably better equipped than appellate judges to make these factual determinations, especially in close cases. In such instances, perhaps we should routinely give at least some deference to the trial court, given its greater knowledge of the facts. Or, perhaps other adjustments to our current practice should be considered.

“Whatever our resolution, however, I believe the time has come for us to re-examine *Cybor*’s no deference rule. I hope that we will do so at our next opportunity, and I expect we will.” *Amgen*, 469 F.3d at 1040-41 (Michel, C.J., joined by Rader, J., dissenting from the denial of the petition for rehearing en banc).

The next Chief Judge of the Federal Circuit, while joining in the dissent of the Chief Judge, issued his own opinion as well: He “agree[s] with the reasoning of Chief Judge Michel’s and Judge Newman’s dissents. Like them, I urge this court to accord deference to the factual components of the lower court’s claim construction. Under current law, this court accords no deference whatsoever to a district court’s claim construction. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1451, 1455-56 (Fed.Cir.1998) (‘[C]laim construction, as a purely legal issue, is subject to de novo review on appeal.’). The Supreme Court recognized that, far from a “purely legal issue,” claim construction ‘falls somewhere between a pristine legal standard and a simple historical fact.’ *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996).

“Quoting the Supreme Court, this court agreed with the Supreme Court’s recognition that ‘the fact/law distinction at times has turned on a determination that, as a matter of sound administration of justice, one judicial actor is better positioned than another to decide the issue in question.’ *Cybor*, 138 F.3d at 1455. In this case, the district court’s analysis ... deserved greater deference. As is often the case, the district court was better positioned than this court to reach the proper construction. After all the district court has more tools, more time, and more direct contact with factual evidence than this appellate body. *Id.* at 1477 (Rader, J., dissenting) (‘Trial judges can spend hundreds of hours reading and rereading all kinds of source material, receiving tutorials on technology from leading scientists, formally questioning technical experts and testing their understanding against that of various experts, examining on site the operation of the principles of the claimed invention, and deliberating over the meaning of the claim language. If district judges are not satisfied with the proofs proffered by the parties, they are not bound to a prepared record but may compel additional presentations or even employ their own court-appointed expert.’). Indeed, in this case, the trial court held a nine-day trial, including testimony of artisans informed of the meaning of [the disputed

terminology] at the time of invention. The trial court, while noting that it did not rely on expert testimony to construe the claim, specifically noted that such testimony offered during the trial fully supported the district court's claim construction. Given this court's rule toward limited reliance on extrinsic evidence in claim construction, *Forest Labs., Inc. v. Abbott Labs.*, 239 F.3d 1305, 1311 (Fed.Cir.2001) (citing *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1584 (Fed.Cir.1996)), district court judges have learned to disclaim any reliance on expert testimony. Yet, in this case the trial court took testimony for nine days—hardly necessary if the judge was merely reading and relying upon the intrinsic patent document alone.

“The district court's construction ... also falls in line with prior opinions of this court and suggests that artisans in this field would accord the term its customary usage. *Geneva Pharm. v. GlaxoSmithKline*, 349 F.3d 1373, 1383 (Fed.Cir.2003) (finding that ‘effective amount’ is a common and generally acceptable term for pharmaceutical claims and is not ambiguous or indefinite); *Abbott Labs. v. Baxter Pharm. Prods., Inc.*, 334 F.3d 1274, 1278 (Fed.Cir.2003) (Because the patentee did not deviate from the accustomed meaning of the disputed claim term, the term ‘effective amount’ is construed in view of its ordinary and customary meaning).” *Amgen*, 469 F.3d at 1044-45 (Rader, J., dissenting from the denial of the petition for rehearing en banc).

Another member of the court *agreed* that the court should not have heard *Amgen* as an *en banc* court, but *agreed* with Chief Judge Michel’s reasoning: He “agree[d] that the panel erred in construing the claim limitation [T]he panel dissent by Chief Judge Michel was correct.... However, I do not believe that every error by a panel is en bancable. A panel is entitled to err without the full court descending upon it.” *Amgen*, 469 F.3d at 1043 (Lourie, J., concurring with the denial of the petition for rehearing en banc).

A critical three votes *against* grant of review occurred because three members of the court saw that *in this case* they did not see that the court below had made determinations on conflicting factual evidence. The three “concur[red] in the denial of rehearing en banc. Our concurrence should not be read as an endorsement of the panel's claim construction in this particular case, nor as an unqualified endorsement of the en banc decision in *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (Fed.Cir.1998). In an appropriate case we would be willing to reconsider limited aspects of the *Cybor* decision. In our view an appropriate case would be the atypical case in which the language of the claims, the written description, and the

prosecution history on their face did not resolve the question of claim interpretation, and the district court found it necessary to resolve conflicting expert evidence to interpret particular claim terms in the field of the art. This is not such a case.” *Amgen*, 469 F.3d at 1045 (Gajarsa, Linn, Dyk, JJ. concurring in the denial of the petition for rehearing en banc).

The newest member of the court dissented “because [she] believe[d] this court should have taken this case en banc to reconsider its position on deference to district court claim construction articulated in *Cybor Corp. v. FAS Tech., Inc.*, 138 F.3d 1448, 1454-55 (Fed.Cir.1998) (holding that claim construction was purely a matter of law and therefore subject to de novo review). Five judges of this court have written opinions in this case expressing disagreement with the two judge panel majority's claim construction even under the de novo standard of review.” *Amgen*, 469 F.3d at 1046 (Moore, J., dissenting from the denial of the petition for rehearing en banc).

c. The Common Sense Logic of the NFL Replay Booth

Imagine the NFL football replay rule *without* its rule that there must be “indisputable evidence” to overrule a ruling on the field. The NFL officials hover right over the play and have unique insights into whether a player did or did not make a catch, was or was not in bounds, and so forth. In very extremely close plays – which happen all the time – it would be easy to second guess the decision and like a flip of a coin reach a contrary decision. Of course, with the “indisputable evidence” rule, the NFL official high up in the warmth of the glass enclosed replay booth will *not* overrule the very close play under the NFL’s equivalent of the “clearly erroneous” standard of review.

Now, segue to the three replay officials on Madison Place who have a responsibility for *de novo* appellate review of claim construction: They have no “indisputable evidence” rule under which they must refrain from flipping the coin on close plays. Of course, the term “indisputable evidence” is not used – but rather the legal term of a “clearly erroneous” standard.

What makes the Federal Circuit situation far more egregious than the NFL replay booth is that while the umpire on the field has only a split second to view a play and the NFL replay booth can run its videotape numerous times – and in slow motion, in the case of claim construction the trial judge has infinitely more time and resources to consider a claim construction. Witness testimony may be involved. Hundreds of pages of documents may be in play.

The proof of the pudding that the *de novo* review system is terribly flawed is perhaps best manifested by the numerous 2-1 claim construction decisions at the Federal Circuit. *All* of the Federal Circuit judges have vast years of claim construction experience. While one member of the court has only a brief experience *on the court* that member had more than a full decade of experience as a full time professor of patent law and before that had served for two years as a Law Clerk at the Federal Circuit. The next junior-most member of the court has eight (8) years of bench experience in claim construction and is regarded as now having an expert command of the subject. The remaining ten judges have many years of experience. That there can be 2-1 split claim construction verdicts largely keyed to different interpretations of the same evidence perhaps best manifests the difficulty with a *de novo* standard of review.

d. Legislative Repeal of *Cybor*

It is now time to consider a *legislative* repeal of *Cybor*, given more than one full decade of experience of *Cybor* and with no hint or suggestion emanating from Madison Place that there will be judicial action.

With patent reform legislation being on the front burner, and with the leaders of the bar and industry *on all sides* supporting the end of *Cybor de novo* review, it is time to consider drafting appropriate legislation to repeal this unfortunate precedent.

3. Federal Circuit *De Novo* New “Rejection” of Applications: *Comiskey*

In the *Comiskey* saga, a panel of the court boldly goes one step beyond *de novo* review of claim construction: The panel has now unilaterally determined that it may introduce what is effectively a *new ground of rejection* as basis for “affirmance” of a decision of the Patent and Trademark Office in lieu of an entirely different ground of rejection.

Comiskey is considered in an appendix, *Comiskey Appellate de novo Review of PTO Rejections*.

4. *Prometheus v. Mayo*— Metabolite déjà vu

Prometheus Laboratories, Inc. v. Mayo Collaborative Services, Fed. 2008-1403, *proceedings below*, 2008 WL 878910 (S.D.Cal. 2008), considers anew the patent-eligibility of a medical treatment method.

Whether a medical diagnosis method is patent-eligible subject matter under 35 USC § 101 has been a subject of debate for several years, particularly once the Supreme Court had *dismissed* a case raising the issue but under the wrong statutory basis, *Lab. Corp. of Am. Holdings v. Metabolite, Inc.*, 548 U.S. 124 (2006) (Breyer, J., dissenting from dismissal of certiorari).

Prometheus is still in the briefing stage. Appellee's brief is due February 27, 2009; and appellant's reply brief is due March 13, 2009. The oral argument is expected in the May-July 2009 time frame, with a decision in the second half of 2009.

a. Medical Treatment Method

The claim is to a medical treatment method:

1. A method of optimizing therapeutic efficacy for treatment of an immune mediated gastrointestinal disorder, comprising:

(a) administering a drug providing 6-thioguanine to a subject having said immune-mediated gastrointestinal disorder; and

(b) determining the level of 6-thioguanine in said subject having said immune-mediated gastrointestinal disorder wherein the levels of 6-thioguanine less than about 230 pmol per 8×10^8 red blood cells indicates a need to increase the amount of said drug subsequently administered to said subject and wherein the levels of 6-thioguanine greater than about 400 pmol per 8×10^8 red blood cells indicates a need to decrease the amount of said drug subsequently administered to said subject.

The opinion below follows the *procedural* dissent by Justice Breyer in *Metabolite*:

“[T]he fact that the inventors have framed the claims as ‘treatment methods’ does not make the claims patentable. Indeed, ‘one can reduce any process to a series of steps. The question is what those steps embody.’ *Lab. Corp. of Am. Holdings v. Metabolite, Inc.*, 548 U.S. 124 (2006) (Breyer, J., dissenting from dismissal of

certiorari) (emphasis in original); *see also In re Grams*, 888 F.2d 835, 839 (Fed.Cir.1989) (explaining that the critical question is: ‘What did applicants invent?’) (quoting *In re Abele*, 684 F.2d 902, 907 (C.C.P.A.1982)).

“Here, a careful review of the claims of the patents-in-suit reveals that the steps embody only the correlations themselves. First, the ‘administering’ and ‘determining’ steps are merely necessary data-gathering steps for any use of the correlations. However, an ‘unpatentable principle’ will not transform into a ‘patentable process’ simply by adding conventional method steps. *Flook*, 437 U.S. at 588-90; *accord Meyer*, 688 F.2d at 794 (‘[data-gathering] step[s] cannot make an otherwise nonstatutory claim statutory’). Thus, the Court must look to the third step to determine what the applicants claim to have invented. However, as construed, the final step-the ‘warning’ step (i.e. the ‘wherein’ clause)-is only a mental step. That is, the ‘warning’ step does not require that dosage be adjusted, or any other action. Indeed, contrary to Plaintiff’s assertion, the ‘warning step’ does not require that the doctor (or any person) ‘provide’ a warning. *See* Doc. No. 528 at 14. Rather, it is the metabolite levels themselves that ‘warn’ the doctor that an adjustment in dosage may be required.”

b. The *Classen* Case

A parallel issue was decided as a *nonprecedential* opinion, *Classen Immunotherapies, Inc. v. Biogen Idec*, __ Fed. Appx. __, 2008 WL 5273107 (Fed. Cir. 2008)(Moore, J.). *In toto* the opinion of the court states that “[i]n light of our decision in *In re Bilski*, 545 F.3d 943 (Fed.Cir.2008) (en banc), we affirm the district court’s grant of summary judgment that these claims are invalid under 35 U.S.C. § 101. Dr. Classen’s claims are neither ‘tied to a particular machine or apparatus’ nor do they ‘transform[] a particular article into a different state or thing.’ *Bilski*, 545 F.3d at 954. Therefore we *affirm*.”

5. *Cardiac Pacemakers v. St. Jude* – § 271(f) *Microsoft* Conflict

Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc., __ Fed.Appx. __ (Fed. Cir. 2008)(Lourie, J.), manifests the continued difficulty that the judicial system is having in grappling with the contours of 35 USC § 271(f).

a. Conflict with the Supreme Court *Microsoft* Case

A panel found that the export of subject matter to be used offshore in a *patented process* could constitute a “component” within the meaning of 35 USC § 271(f), in conflict with *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007).

At some point this clear conflict will need to be resolved.

The panel states that “[w]hile this court was not unanimous in its approval of the holding in *Union Carbide*, see *Union Carbide Chems. & Plastics Tech.Corp. v. Shell Oil Co.*, 434 F.3d 1357, 1358-59 (Fed. Cir. 2006) (Lourie, J., [joined by Michel, C.J., Linn, J.,] dissenting from order denying rehearing en banc), the Supreme Court’s decision does not alter that holding. As a panel, we cannot reverse the holding of another panel of this court.”

Yet, the author of this panel opinion in his noted dissent had pointed out that *Union Carbide* was in direct conflict with the precedential opinion in *Standard Havens Prods., Inc. v. Gencor Indus. Inc.*, 953 F.2d 1360, 1374 (Fed.Cir.1991).

As discussed *prior* to the Supreme Court decision in *Microsoft*, the validity of *Union Carbide* was keyed to the Federal Circuit opinion below, a decision of dubious value. (For a perspective in that time frame, see Harold C. Wegner, *A Foreign Square Peg in a Domestic Round Hole: The Eolas-AT&T-Carbide Trilogy*, paper presented to the George Mason University School of Law program, Hot Topics in Patent Law, § V-B, *Carbide: A Patented Process Falls under § 271(f)*, pp. 18-20, July 18, 2006, Arlington, Virginia.)

A fortiori, with the Supreme Court *reversal* of the foundation for *Union Carbide*, this represents a more extreme conflict with Supreme Court precedent.

b. Is the Panel Implicitly Asking for En Banc Review?

The panel stated as to *Union Carbide* that “we cannot reverse the holding of another panel of this court.” The court noted that “this court was not unanimous in its approval of the holding in *Union Carbide*, see *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 434 F.3d 1357, 1358-59 (Fed. Cir. 2006) (Lourie, J., Michel, J., and Linn, J., dissenting from order denying rehearing en banc)... .”

c. Supreme Court Review in this or a Future Case

A *certiorari* petition that paints an irreconcilable difference between *Microsoft* and *Union Carbide* may have a substantial chance for grant.

6. *Bilski v. Doll* – Patent Eligibility

Bilski v. Doll, is the anticipated *certiorari* petition due January 28, 2009, that is expected to challenge the opinion of the Federal Circuit, 545 F.3d 943 (Fed. Cir. 2008)(*en banc*)(Michel, C.J.). Subsequently, a panel has further elaborated on *Bilski* in *In re Comiskey*, __ F.3d __ (Fed. Cir. 2009)(Dyk, J.)(panel decision on reh’g).

Bilski narrowed the scope of patent-eligible software methods under 35 USC § 101 (including business methods), while refraining from reaching the issue of whether to overrule the leading case establishing the patent-eligibility of business methods, *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998)(Rich, J.).

The *en banc* Federal Circuit has *curtailed* the scope of patent-eligible subject matter under 35 USC § 101, reducing patent-eligible software methods to a “machine-or-transformation test”: Patent-eligible are those methods *either* tied to a particular machine or apparatus *or* which transform a particular article into a different state or thing.

While the Court left untouched the *State Street Bank* ruling that business methods are patent-eligible, it narrowed the scope of patent-eligibility by demanding that patent-eligibility requires compliance with the machine-or- transformation test, overruling the broader "useful, concrete and tangible result" test of *State Street Bank*.

The Court specifically “decline[d] to adopt a broad exclusion over software or any other such category of subject matter beyond the exclusion of claims drawn to fundamental principles set forth by the Supreme Court.”

a. The Federal Circuit frustrates chances for certiorari review

In the modern era where every appellate clerk is computer-literate and regularly blogs and where notable services such as *Scotus Blog* instantly provide the thoughts of leading scholars and practitioners through an electronic backdoor to every judicial chamber, it is impossible for the judiciary to ignore the constant drumbeat of the electronics and software industries and their allies in the scholarly community that are constantly shouting out against patents in the electronics and information technology industries. Joined by the financial community, the drumbeat against patent-eligibility of business method patents and the demonization of *State Street Bank* has been deafening. A pro-*State Street Bank* ruling would have opened the door to a *certiorari* challenge with a stronger likelihood of success.

Yet, the carefully crafted majority opinion coupled with the surprisingly large degree of unanimity makes it difficult, at best, for a successful *certiorari* effort at the Supreme Court. *First*, the Federal Circuit dodged altogether the issue of whether business methods lack patent-eligibility – whether *State Street Bank* remains viable. *Second*, the *holding* in the case is that the specific method in controversy lacks patent-eligibility *for a different reason* – thus reaching the correct conclusion (in the view of the anti-patent opponents of *State Street Bank*) but for different reasons.

b. *Bilski* is a Less Viable Vehicle to Challenge *State Street Bank*

While the case was pending before the Federal Circuit, *Bilski* was seen as a vehicle to directly challenge *State Street Bank*. Thus, one of the questions presented by the court for *en banc* briefly squarely raised the issue:

“Whether it is appropriate to reconsider *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), and *AT & T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999), in this case and, if so, whether those cases should be overruled in any respect?”

When *Bilski* was pending, it was widely predicted by a variety of pundits and those available for quotes to the numerous on line patent media that the

Supreme Court would take great interest in this case, particularly because this case squarely presented the issue as to whether *State Street Bank* remains a viable precedent in the face of such vocal opposition – even though based largely on “noise” and less upon any disagreement with underlying legal theories.

Yet, when the dust has settled and the 128 pages comprising four slip opinions including a thirty-one page majority opinion have been thoroughly digested, there is little to interest the Supreme Court in terms of an enticement to grant *certiorari*.

Most importantly, the Court *declined* to reconsider *State Street Bank*, but did so with a holding that the claim in controversy lacked patent-eligibility under 35 USC § 101: The court thus reached the *conclusion* of patent-ineligibility but for different reasons than the interesting question of business method patent-eligibility.

c. Four Votes for Certiorari if the Decision Had Gone the Other Way

Recently, *at least* four members of the Court voted for *certiorari* in a patent-eligibility challenge that was *not* raised under 35 USC § 101 but rather dressing in 35 USC § 112 clothing: In the end, the *Metabolite* case was subject to a post-argument *certiorari* vote which fell shy of the needed four votes, but with three enthusiastic members of the Court strongly arguing in favor of *certiorari*.

Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc., 548 U.S. 124, 125 (2006)(Breyer, joined by Stevens, Souter, JJ., dissenting from dismissal for improvident grant of *certiorari*).

Indeed, one of the three dissenters has a decades-long track record of hostility to software patent-eligibility. It was thirty years ago when Justice Stevens rendered his anti-software patent-eligibility opinion in *Parker v. Flook*, 437 U.S. 584 (1978)(Stevens, J.). Even though the underlying legal rationale was recast in *Chakrabarty*, just one year later Justice Stevens reaffirmed his anti-software attitude in *Diamond v. Diehr*, 450 U.S. at 193 (Stevens, J., joined by Brennan, Marshall, Blackmun, JJ., dissenting). Within a year after *State Street Bank*, Justice Stevens continued to sound the warning of his continued unease with software patent-eligibility when the Court took up for *certiorari* the confirmation of business method patent-eligibility in *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed.Cir.1999)(Plager, J.). *See Excel Communications v. AT&T*

Corp., 528 U.S. 946 (1999)(Steven, J., statement respecting the denial of the petition for writ of certiorari)(“The importance of the question presented in this certiorari petition makes it appropriate to reiterate the fact that the denial of the petition does not constitute a ruling on the merits. See *Carpenter v. Gomez*, 516 U.S. 981 (1995) (opinion of STEVENS, J., respecting denial of certiorari); *Maryland v. Baltimore Radio Show*, 338 U.S. 912, 917-919 (1950) (opinion of Frankfurter, J., respecting denial of certiorari).”).

d. A Nearly Unanimous Federal Circuit Against Patent-Eligibility

It should be rare, indeed, that the Court will entertain an academic question through grant of *certiorari* to resolve a controversy that is unnecessary to a resolution of the case at hand.

Anti-patent advocates seeking an end to business method patent-eligibility using *Bilski* as a vehicle to overrule *State Street Bank* are completely frustrated because the *holding* in *Bilski* is that the invention in question lacks patent-eligibility – albeit for an entirely different ground than at issue in *State Street Bank*. The anti-patent side is the winner; as Respondent at the Supreme Court, the PTO has nothing to challenge.

The *Bilski* case had little to do with any cutting edge factual dispute testing the borders of patent-eligibility. Rather, the Court chose the case as a vehicle to address a set of troubling questions concerning business method and software patents keyed to a dispute over a mere abstract idea. As explained in a cogent dissent, the Court “could have [reached its conclusion] in a single sentence: ‘Because *Bilski* claims merely an abstract idea, this court affirms the Board’s rejection.’” *Bilski*, Rader, J., dissenting, slip op. at 1.

A second member of the Court *agreed* with the majority that the subject matter lacks patent-eligibility, but did so for a different reason – that business methods should be judicially excluded from patent-eligibility. *Bilski*, Mayer, J., dissenting, slip op. at 1. Thus, the opinion in fact is a *concurrence* with the result reached by the majority but for a different reason. Only the third dissenting opinion is truly a dissent, a flat disagreement with the conclusion that the *Bilski* claim lacks patent-eligibility *Bilski*, Newman, J., dissenting.

Thus, although outwardly the Court appeared split with three of the twelve members issuing “dissents”, the vote on whether *Bilski*’s invention is patent-eligible was 11-1.

e. Judge Mayer Helps Slam the Door Shut on Certiorari

A Mayer “dissent” obviously agreed with the majority that the *Bilski* subject matter lacked patent-eligibility; his disagreement was on the basis for the ruling: Judge Mayer wanted the Court to take the opportunity to overrule *State Street Bank*. *Bilski*, Mayer, J., dissenting, slip op. at 1.

The “dissent” therefore should actually be considered a *concurring* opinion because it reaches the same conclusion of unpatentability but for entirely different reasons. Indeed, the dissent provides a comprehensive advocacy position for why business methods should not be considered patent-eligible; it ends with the conclusion:

“Where the advance over the prior art on which the applicant relies to make his invention patentable is an advance in a field of endeavor such as law (like the arbitration method in [*In re Comiskey*, 499 F.3d 1365, 1378-79 (Fed. Cir. 2007)]), business (like the method claimed by *Bilski*) or other liberal—as opposed to technological—arts, the application falls outside the ambit of patentable subject matter. The time is ripe to repudiate *State Street* and to recalibrate the standards for patent eligibility, thereby ensuring that the patent system can fulfill its constitutional mandate to protect and promote truly useful innovations in science and technology. I dissent from the majority’s failure to do so.” *Id.*, slip op. at 25.

Because the Mayer dissent articulates the theory as to why the *Bilski* invention lacks patent-eligibility *but because he does so in a manner to show that the issue was not squarely addressed in this case*, if anything this helps shut the door to a grant of *certiorari* in *this case*.

f. The Rader Dissent

“[Linking] patent eligibility to the age of iron and steel at a time of subatomic particles and terabytes....”

Circuit Judge Rader, now entering his twentieth year as a Federal Judge, has grown into the leading judicial advocate in favor of protection of high technology through the patent system. His dissent flatly *agrees* that the *Bilski* claimed subject matter

is not patent-eligible; the dissent focused instead upon the treatment of issues unnecessary for the decision and its impact on emerging technologies:

“If the only problem of this vast judicial tome were its circuitous path, I would not dissent...[A]s innovators seek the path to the next techno-revolution, this court ties our patent system to dicta from an industrial age decades removed from the bleeding edge.” *Id.* The dissent was deemed necessary “[b]ecause this court... links patent eligibility to the age of iron and steel at a time of subatomic particles and terabytes....”

g. Judge Newman’s Dissent, *Spark for a Certiorari Petition*

Judge Newman is the only member of the Court to disagree as to patent-eligibility for the *Bilski* claim, and thus provides grist for a *certiorari* petition.

She starts her dissent with a charge that “[t]he court today acts en banc to impose a new and far-reaching restriction on the kinds of inventions that are eligible to participate in the patent system.” *Bilski*, Newman, J., dissenting, slip op. at 1.

A central theme of the dissent is the perceived negative impact that a negative ruling has on the evolution of the “knowledge economy” of the United States:

“The innovations of the ‘knowledge economy’—of ‘digital prosperity’—have been dominant contributors to today’s economic growth and societal change. Revision of the commercial structure affecting major aspects of today’s industry should be approached with care, for there has been significant reliance on the law as it has existed, as many amici curiae pointed out. Indeed, the full reach of today’s change of law is not clear, and the majority opinion states that many existing situations may require reassessment under the new criteria.

“Uncertainty is the enemy of innovation. These new uncertainties not only diminish the incentives available to new enterprise, but disrupt the settled expectations of those who relied on the law as it existed.” *Id.*, slip op. at 2.

She sees *Bilski* as discarding principles of patent law that “guided the inventions of the electronic age into the patent system.” *Id.*, slip op. at 29.

More, fully, she says that “[t]he now-discarded criterion of a ‘useful, concrete, and tangible result’ has proved to be of ready and comprehensible applicability in a large variety of processes of the information and digital ages. The court in *State*

Street Bank reinforced the thesis that there is no reason, in statute or policy, to exclude computer-implemented and information-based inventions from access to patentability. The holdings and reasoning of *Alappat* and *State Street Bank* guided the inventions of the electronic age into the patent system, while remaining faithful to the *Diehr* distinction between abstract ideas such as mathematical formulae and their application in a particular process for a specified purpose.” *Id.*

She concludes her dissent by noting a conflict with the philosophy expressed by Mr. Justice Burton in *Line Materials*:

“Patents provide an incentive to invest in and work in new directions. In *United States v. Line Materials Co.*, 333 U.S. 287, 332 (1948), Justice Burton, joined by Chief Justice Vinson and Justice Frankfurter, remarked that ‘the frontiers of science have expanded until civilization now depends largely upon discoveries on those frontiers to meet the infinite needs of the future. The United States, thus far, has taken a leading part in making those discoveries and in putting them to use.’ This remains true today. It is antithetical to this incentive to restrict eligibility for patenting to what has been done in the past, and to foreclose what might be done in the future.” *Id.*, slip op. at 41.

7. *Lupin* – Product-by-Process, *Atlantic Thermoplastics* Revisited

Lupin Ltd. v. Abbott Laboratories, Fed. Cir. App. No. 2007-1446 (Rader, Plager, Bryson, JJ.), *opinion below*, 491 F.Supp.2d 563, 567-68 (E.D.Va. 2007)(Payne, J.), considers the issue:

“Did the district court – based on its interpretation of old Supreme Court cases [e.g., *Cochrane v. Badische Anilin & Soda Fabrik*, 111 U.S. 293 (1884),] – have any discretion to decline to follow binding and controlling precedent from the Federal Circuit [in *Scripps Clinic & Research Foundation v. Genentech, Inc.*, 927 F.2d 1565 (Fed.Cir.1991)(Newman, J.)] regarding product-by-process claims?”

a. Early Federal Circuit Repudiation of Supreme Court Precedent

A rule of claim construction in *Scripps Clinic & Research Foundation v. Genentech, Inc.*, 927 F.2d 1565 (Fed.Cir.1991)(Newman, J.), *sub silentio* repudiated Supreme Court precedent, e.g., *Badische Anilin & Soda Fabrik*, 111 U.S. 293 (1884). While the mainstream Federal Circuit for more than the past fifteen years has been more closely following Supreme Court precedent in the

same manner as sister circuits, this was not the case during the inaugural decade under the heavy influence of both Chief Judge Howard T. Markey and the dean of the court, Giles Sutherland Rich. *Scripps Clinic* was the very last panel opinion in which the Chief Judge participated. A year later in *Atlantic Thermoplastics Co., Inc. v. Faytex Corp.*, 970 F.2d 834 (Fed.Cir.1992), a second panel expressly repudiated *Scripps Clinic* precisely on the basis of the conflict with Supreme Court precedent.

A vocally divided *en banc* court declined review over vociferous dissents from several members of the court, including Judge Rich who saw *Scripps Clinic* as binding – notwithstanding the dispute concerning the conflict with the Supreme Court: *Atlantic Thermoplastics* “is not only insulting to the [earlier] panel ..., it is mutiny. It is heresy. It is illegal.” *Atlantic Thermoplastics*, 974 F.2d 1279, 1281 (Fed. Cir. 1992)(Rich, J., dissenting from denial of reh’g *en banc*).

b. The Once Settled Law of *Badische Anilin* (1884-1991)

In a nutshell, a product-by-process claim permits the patent applicant to claim a new chemical product of unknown structural formula to be defined by the process of its manufacture, e.g., “The Product X produced by reaction of A plus B”. For purposes of *novelty* and validity, the claim is invalid if the structure is old even if the prior art shows making the product by a *different* method than stated in the claim. Thus, if the Product X is made by reacting C plus D, it is still the same product as if made by reacting A plus B: The *claim defines the product* as something that *can be made* by reacting A plus B; by reacting C plus D to get X yields the *same product*: There is no novelty. But, for purposes of patent infringement an asymmetrical approach has been taken by the courts dating back to nineteenth century Supreme Court opinions in *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 493 (1877), and *Cochrane v. Badische Anilin & Soda Fabrik*, 111 U.S. 293 (1884).

Per *Badische Anilin*, the patentee is penalized for using this claim form by gaining a scope of protection limited to the product, *per se*, but only when made by the defined method of manufacture. (This penalty is based upon the policy determination that otherwise patentees with knowledge of the exact structure could

hide that structure before the examiner and the public by using product-by-process terminology.)

c. A Century of Mainstream Practice until *Scripps Clinic*

The vast web of case law following *Badische Anilin*, particularly at the Patent Office, is perhaps best captured by the most comprehensive pre-*Scripps* article on the topic, Jon S. Saxe & Julian S. Levitt, *Product-by-Process Claims and Their Current Status in Chemical Patent Office Practice*, 42 J.Pat. Off. Soc’y 528 (1960)); each author later became a Vice-President of a major pharmaceutical house (while the former “retired” to become CEO of yet another company); the Saxe & Levitt work is cited in three different cases, *In re Bridgeford*, 357 F.2d 679, 682 n. 5 (CCPA 1966); *In re Garner*, 412 F.2d 276, 279 n.7 (CCPA 1969); *In re Brown*, 459 F.2d 531, 1041 n.7 (CCPA 1972).

The *Scripps Clinic* repudiation of Supreme Court and progeny over more than a century is painted in stark relief when one sees the huge body of case law that evolved over the years as seen from Saxe & Levitt. They cite *General Electric Co. v. Wabash Appliance Corp.*, 304 U.S. 364 (1938); *Plummer v. Sargent*, 120 U.S. 442 (1887); *Cochrane v. Badische Anilin und Soda Fabrik*, 111 U.S. 293, 310 (1884); *United States Gypsum Co. v. Consolidated Expanded Metal Cos.*, 130 F.2d 888 (6th Cir. 1942); *National Carbon Co. v. Western Shade Cloth Co.*, 93 F.2d 94 (7th Cir. 1937); *Purdue Research Found. v. Watson*, 122 USPQ 445 (D.D.C. 1958), *aff’d*, 265 F.2d 107 (D.C. Cir. 1958), in support of their statement that “[w]ith respect to product-by-process claims, the courts uniformly hold that only a product produced by the claim-designated process may be held to infringe the claim.” Saxe & Levitt, 42 J.Pat. Off. Soc’y at 530. The last mentioned case explains that “[product-by-process] protection is limited to compositions produced by [the] process referred to in the claims. When the composition is thus claimed in terms of the process of preparation, the product cannot be defined in such a manner as to assert a monopoly on the product by whatever means produced.” *Purdue Research Found. v. Watson*, 122 USPQ 445, 448 (D.D.C. 1958), *aff’d*, 265 F.2d 107 (D.C. Cir. 1959).

A predecessor court explains that Patent Office policy permitting product-by-process claiming “has developed with full cognizance of the fact that in infringement suits some courts have construed such claims as covering only a product made by the particular process set forth in the claim and not to the product *per se*.” *Bridgford*, 357 F.2d at 682 n. 5. citing *Ex parte Fesenmeier*, 1922 C.D. 18, 302 O.G. 199 (1922); and *Saxe & Levitt*.

Saxe & Levitt in their conclusion emphasize the extremely narrow scope of protection afforded to product-by-process claims:

“Though the rationale behind the product-by-process exception [to claiming products, *per se*] is that an inventor should not be limited to his lawful right by the limitations of the English language, the courts have done just this, for they have construed product-by-process claims to cover the product *only if made by the process set forth [in the claim], rather than however made, as is the case with all other product claims.*” *Saxe & Levitt, Summary and Conclusions*, 42 J.Pat. Off. Soc’y at 559 (emphasis added). Thus, patent practitioners tried to avoid use of product-by-process claiming as the sole means to protect a product invention; the authors state that “[o]wing to the narrow scope given product-by-process claims in patent infringement suits, numerous attempts have been made to avoid their use. The [recent] utilization... of sophisticated analytical techniques has increased the fervor with which prosecuting attorneys have sought to avoid the use of product by process claims.” *Saxe & Levitt*, 42 J.Pat. Off. Soc’y at 529.

d. The *Scripps Clinic sub silentio* Repudiation of *Badische Anilin*

In 1991, contrary to the *Badische Anilin* line of case law, a panel in *Scripps Clinic* held that a product-by-process claim may be infringed by production of the same product made by a *different* method. In 1992 in *Atlantic Thermoplastics* a panel wrongly held to the contrary by failing to honor precedent of the court – even though the panel was absolutely correct in its holding from a standpoint of consistency with the entire line of *Badische Anilin* case law. The panel in *Atlantic Thermoplastics* had an obligation to seek an *en banc* review to clarify the confusion created by *Scripps Clinic*, particularly the departure from Supreme Court precedent manifested by *Badische Anilin* and its progeny. Yet, *en banc* review was denied and this split has gone unresolved for *fifteen full years* to the great

confusion of the trial courts faced with the dilemma of choosing between *Scripps Clinic* and *Atlantic Thermoplastics*.

e. The Dilemma Facing Trial Courts for Sixteen Years

As explained by the court below in *Lupin*, “*Scripps* and *Atlantic Thermoplastics* announce conflicting rules respecting the proper analysis of product-by-process claims in an infringement action. In *Scripps*, a panel of the Federal Circuit determined that ‘the correct reading of the product-by-process claims is that they are not limited to product prepared by the process set forth in the claims.’ 927 F.2d at 1583. One year later, the decision in *Atlantic Thermoplastics* held that “process terms in product-by-process claims serve as limitations in determining infringement.’ 970 F.2d at 846-47.” 491 F.Supp.2d at 567.

Citing *Trustees of Columbia Univ. v. Roche Diagnostics GmbH*, 126 F.Supp.2d 16, 31 (D.Mass.2000), the trial judge below noted that “district courts have long acknowledged [that] those two holdings are at odds with one another.” 491 F.Supp.2d at 567.

Among the numerous courts split over whether to follow *Scripps Clinic* or *Atlantic Thermoplastics*, the dilemma was restated just two years ago in California: “The case law is divided on whether [a product-by-process] claim is treated as a product claim or more like a methods claim. In *Scripps Clinic & Research Foundation v. Genentech, Inc.*, 927 F.2d 1565, 1583 (Fed.Cir.1991), one panel of the Federal Circuit ruled that products by process claims ‘are not limited to product prepared by the process set forth in the claims.’ One year later in *Atlantic Thermoplastics Co., Inc. v. Faytex Corp.*, 970 F.2d 834, 846-847 (Fed.Cir.1992), another Federal Circuit panel ruled ‘process terms in product-by-process claims serve as limitations in determining infringement.’” *Lucent Technologies Inc. v. Gateway, Inc.*, 509 F.Supp.2d 912, 927 (S.D. Cal. 2007)(Brewster, J.).

f. Turning the Law Upside Down – Extending *Scripps Clinic* to Old Products

An interesting twist to *Scripps Clinic* took place in 2006 when an attempt was made to redo the law of product-by-process claiming so that an old product could be properly claimed without anticipation:

Consider once again the classic product-by-process claim: “The Product X produced by reaction of A plus B”. Here, if the Product X is found in the prior art made by reacting M plus N, that product is not novel as held by the majority in the *Paroxetine* case, *SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312 (Fed. Cir. 2006)(Dyk, J.), *reh’g en banc denied*, 453 F.3d 1346 (2006).

Yet, as seen from the panel dissent in the *Paroxetine* case, the *Scripps Clinic* panel opinion was used as basis for an attempt to reach the conclusion that for purposes of *novelty* a product-by-process claim should be held novel where the same product is a part of the prior art, but made by a different process.

It is clear that the majority opinion keyed its invalidity holding to the lack of novelty of the product:

“[I]t undisputed that the [claimed] product that is the subject of the [disputed] claims is paroxetine. Rather the issue is whether the [prior art '723 paroxetine] patent anticipated the [instant] product-by-process [claim], when the [prior art] '723 patent broadly claimed paroxetine without regard to the process by which it was made. Thus, the ultimate issue is simply whether the prior art disclosure of a product precludes a future claim to that same product when it is made by an allegedly novel process.” *Paroxetine* case, 439 F.3d at 1317 (footnotes omitted).

The attempt to rewrite the patent law failed by one vote, as the panel majority followed *Badische Anilin* to deny novelty on the basis of the prior art manufacture of paroxetine; it was of no moment that the prior art produced paroxetine by a method other than that of the patentee:

“As th[e] history of cases from the Supreme Court, our court, and our predecessor court make clear, anticipation by an earlier [prior art] product patent cannot be avoided by claiming the same product more narrowly in a product-process claim. ... [A]nticipation by an earlier product disclosure (which disclosed the product itself) cannot be avoided. While the process set forth in the product-by-

process claim may be new, that novelty can only be captured by obtaining a process claim.” *Paroxetine* case, 439 F.3d at 1318-19 (citing *Cochrane v. Badische Anilin & Soda Fabrik*, 111 U.S. 293 (1884) and other cases).

In the *Paroxetine* case itself, it is noteworthy that votes for an *en banc* rehearing included both authors of the panel opinions in *Scripps Clinic* as well as *Atlantic Thermoplastics*:

The *Scripps Clinic* author stated that “[a]lthough [she] believe[s] that the opinions of this court on product-by-process claims, viz., *Scripps Clinic* ... and *Atlantic Thermoplastics*, do not conflict when viewed in the contexts in which they arose and to which they apply, there has been enough misperception and casual misstatement among users of the patent system, to warrant our resolution of the debate.” 453 F.3d 1346, 1347 (Newman, J., joined by Gajarsa, J., dissenting from denial of reh’g en banc). The *Atlantic Thermoplastics* author stated that “[w]ithout doubt, this court’s product-by-process law contains an apparent conflict. Choosing between *Scripps Clinic* ... and *Atlantic Thermoplastics* ... is not task this court through its inaction should continue to force on trial courts[.]” 453 F.3d at 1348 (Rader, J., joined by Gajarsa, J., dissenting from denial of reh’g en banc).

8. *In re Kubin*, Biotech Obviousness; Enzo Disclosure

In re Kubin, Fed. Cir. App. No. 2008-1184 (Rader, Friedman, Linn, JJ.), *opinion below*, *Ex parte Kubin*, 2007 WL 2070495 (PTO Bd. App. & Int. 2007)(Linck, APJ), was argued January 8, 2008.

Because partners of this writer have become involved in this appeal as counsel for *amicus curiae* Biotechnology Industry Organization, Inc., it is considered appropriate to refrain from opining about this appeal in this paper.

9. *Tafas v. Dudas* – “Continuation Rules”

The validity of the “continuation rules” package is at stake in *Tafas v. Dudas*, No. 2008-1352 (Rader, Bryson, Prost, JJ.), *proceedings below*, __ F.Supp2d __, 2008 WL 859467 (E.D. Va. 2008)(Cacheris, J.). The appeal was argued December 5, 2008.

10. *Ariad v. Eli Lilly* –Disclosure/Reexamination

Ariad v. Eli Lilly combines numerous issues at the very heart of the patent reform policy debates. Perhaps most scandalous of all aspects of patent reform touched upon by this case is the failure of the PTO to promptly reexamine the patent at issue, resulting in the continuation of this expensive and time-consuming litigation where the issues that *should have* been already concluded in a reexamination, if conducted under the “special dispatch” provisions of the statute, had been properly carried out.

COMISKEY APPELLATE DE NOVO REVIEW OF PTO REJECTIONS*

Harold C. Wegner**

I. OVERVIEW

Given an *ex parte* appeal of a Board affirmance of an Examiner's rejection on one statutory ground, does the Federal Circuit have the opportunity to "affirm" the decision denying patentability on an entirely *different* statutory ground? A bold panel opinion says "yes", despite a conflict with more than a century of precedent. See § II, *The Comiskey New Ground of Rejection*.

The critical question is the interpretation of the statutory basis for review which is set forth under 35 USC § 144. See § III, *Review [of the PTO] Decision...On the Record*" Without any doubt, the panel opinion is a sharp departure from precedent, whether it makes good sense either from a standpoint of public policy or statutory or case law interpretation of Supreme Court precedent. See § IV, *Departure from Nineteenth Century Precedent*. Not considered in any of the several opinions involved in the proceedings announced on January 13, 2009, is a statutory change in the wording. See § V, *The 1984 Statutory Wording Change*.

The point of this paper is provide information concerning the *Comiskey* issue that goes beyond what has been chronicled in the several opinions released on January 13, 2009, that may prove helpful for the further debates and the manifestly needed further *en banc* consideration in an unacceptable conflict of precedent. See § VI, *Conclusion*.

* This paper represents the personal views of the author and does not necessarily reflect the views of any colleague, organization or client thereof. This version: January 21, 2009.

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II. THE *COMISKEY* NEW GROUND OF REJECTION

On January 13, 2009, the *en banc* Federal Circuit came two votes shy of granting a full court *en banc* review of *In re Comiskey*, ___ F.3d ___ (Fed. Cir. 2009), *earlier withdrawn panel opinion*, 499 F.3d 1365 (2007)(Dyk, J.), which procedurally departed from established precedent by creating in effect a *de novo* appellate review of patentability appeals from the U.S. Patent and Trademark Office (PTO). In a major departure from precedent, a panel of the court on rehearing “affirmed” a PTO denial of patentability that had been rendered under 35 USC § 103 on the basis of *obviousness* without consideration of that issue at all, while “affirming” the decision on the basis of subject matter patent-eligibility under 35 USC § 101. Indeed, in the now withdrawn original panel opinion, the panel boldly states: “We do not reach the [obviousness] ground relied on by the Board below [under 35 USC § 103 over a combination of prior art references,] because we conclude that many of the claims are ‘barred at the threshold by [35 USC] § 101.’” *Comiskey*, 499 F.3d at 171 (quoting *Diamond v. Diehr*, 450 U.S. 175, 188 (1981)).

The decision by the panel to effectively decide the case on a brand new ground of rejection answers the pleas of some critics that date back many years: “The narrowness of the scope of our revising powers in this jurisdiction has long been a matter of great concern to the court and members of our bar. We think it is at one apparent that our reviewing or revising powers are confined to such a narrow scope by the statute, which in this respect has not been changed for many generations, as to greatly handicap us in being helpful in cases like the instant one and other cases to which we shall allude.” *In re Sebald*, 143 F.2d 366, 368 (CCPA 1944).

But, the panel’s decision is a clear departure from precedent. *Comiskey*, ___ F.3d at ___ (Moore, J., joined by Newman, Rader, JJ., dissenting from the denial of the petition for rehearing *en banc*). As such, it can be argued that it has no precedential value unless and until it is adopted by the *en banc* court. It is a disappointment that seven members of the court chose not to decide the matter once and for all, whether to follow or reject the panel’s bold departure from precedent that it made in *Comiskey*.

Without prejudice as to whether the panel opinion is “good” or “bad” either from a standpoint of following the previous law or whether it represents sound public policy, it is noted that there are factors that should be considered in any future reconsideration of the issue that may not have been fully fleshed out in the several opinions concurring with or dissenting from the denial of rehearing *en banc*. This paper introduces such points for public debate:

III. “REVIEW [OF THE PTO] DECISION...ON THE RECORD”

As explained in a dissent from the denial of rehearing *en banc*, the court’s “task is to review a PTO decision, not to direct its examination. [35 USC §] 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 we have a roving commission to manage the examination process. *Carducci v. Regan*, 714 F.2d 171, 177 (D.C.Cir.1983) (Scalia, J.) (‘The premise of our adversarial system is that appellate courts do not sit as self-directed boards of legal inquiry and research, but essentially as arbiters of legal questions presented and argued by the parties before them.’).” *Comiskey*, ___ F.3d at ___ (Moore, J., joined by Newman, Rader, JJ., dissenting from the denial of the petition for rehearing *en banc*).

The statutory limitation on the scope of review is set forth in the first sentence of 35 USC § 144 that provides that “[t]he United States Court of Appeals for the Federal Circuit shall review the decision from which an appeal is taken *on the record before the Patent and Trademark Office*.” (emphasis added).

Historically, the court has interpreted *Securities & Exchange Com'n v. Chenery Corp.*, 318 U.S. 80, 87 (1943), as supporting the view that a new ground to deny patentability could not be substituted for the decision of the Board below. This is explained in the *Hiniker* case – which is not cited in any of the several opinions in *Comiskey*: “We must review the decision of the Board [of Patent Appeals and Interferences] on the Board's own rationale, and here that rationale squares with the statute. *See Securities & Exchange Com'n v. Chenery Corp.*, 318 U.S. 80, 87 (1943) (‘The grounds upon which an administrative order must be

judged are those upon which the record discloses that its action was based.’)[.]” *In re Hiniker Co.*, 150 F.3d 1362, 1367 (Fed. Cir. 1998)(Clevenger, J.).

The dean of the court explained that “[t]he grounds upon which an administrative order must be judged are those upon which the record discloses that its action was based.’ *Securities & Exchange Comm’n v. Chenery Corp.*, 318 U.S. 80, 87 (1943). A reviewing court cannot affirm an agency on a ground other than that the agency gave. *Id.* at 95 (‘an administrative order cannot be upheld unless the grounds upon which the agency acted in exercising its powers were those upon which its action can be sustained’).” *In re Compagnie Generale Maritime*, 993 F.2d 841, 846 (Fed. Cir. 1993)(Friedman, J., concurring)

More recently, another member of the court has interpreted *Chenery* as “holding that a reviewing court may not supply a reasoned basis for the agency’s action that the agency itself has not given[.]” *In re Steelbuilding.com*, 415 F.3d 1293, 1302 (Fed. Cir. 2005)(Rader, J.)(construing *Chenery*, 324 U.S. at 196).

The author of the panel opinion in *Comiskey* five years ago had explained *Chenery*: “[I]n general the Board’s decision must be affirmed, if at all, on the reasons stated therein, *see Chenery*, 332 U.S. at 196, this principle does not obviate the need to consider the issue of harmless error or mechanically compel reversal ‘when a mistake of the administrative body is one that clearly had no bearing on the procedure used or the substance of the decision reached,’ *Mass. Trs. of E. Gas & Fuel Ass’ns v. United States*, 377 U.S. 235, 248 (1964)[.]” *In re Watts*, 354 F.3d 1362, 1370 (Fed. Cir. 2004)(Dyk, J.).

IV. DEPARTURE FROM NINETEENTH CENTURY PRECEDENT

As explained by the late Judge Rich more than forty years ago, “[t]he really significant intendment of the statute is that we are a court of review and are not to act in any case on new grounds which we originate but are to restrict ourselves (and the statutes so restrict us) to passing on the legality of what has been decided below. We are ‘confined,’ and so we must confine ourselves, to ‘the points set forth in the reasons of appeal,’” *In re Gruschwitz*, 320 F.2d 401, 408-09 (CCPA 1963)(Rich, J., dissenting)(quoting 35 USC § 144 and citing *In re Tucker*, 54 F.2d 815 (CCPA 1932)).

More than sixty years ago, the CCPA observed that “our jurisdiction and that of our predecessors for more than a century have depended upon the questions raised by the reasons of appeal.... It will be observed that our powers of revision are strictly limited by statute to the points set forth in the reasons of appeal.” *Sebald*, 143 F.2d at 367-68.

One hundred thirty five years ago, the predecessor Supreme Court of the District of Columbia considered the matter:

“Some discussion occurred during the argument concerning the jurisdiction of this court on an appeal from a decision of the Commissioner of Patents. ...[T]he 50th section enacts that the court shall revise the decision appealed from, and that such revision shall be confined to the points set forth in the reasons of appeal. A majority of the court are of opinion that by a true interpretation of these sections we can only examine into the reasons of appeal, and the record and proceedings so far as they apply thereto, for the purpose of ascertaining whether the Commissioner has made an erroneous decision; and that we cannot revise the decision on any other ground than that upon which the application was rejected. ... [W]e are forbidden to set the decision aside on any other ground. *Nor can we go into the record at large for the general purpose of seeing whether the decision is right on some other ground not passed upon by the Commissioner, nor stated in the reasons of appeal.* It has been suggested that a case may occur in which the true grounds of error are not set forth in the reasons of appeal, and yet the decision be sustainable on some other ground. It is, however, a sufficient answer to this view that it is not our duty to put a forced construction on statutes to remedy supposed evils. Besides, if the party wishes to test his general right to a patent, he can do so under the 52d section, which declares that he may have a bill in a court of equity if he has been refused a patent by the Commissioner.” *In re Conklin*, 1 MacArth. 375, 1874 WL 17286 (Supreme Court, Dist. Col. 1874)(emphasis added).

One hundred thirty five years ago, the predecessor Supreme Court of the District of Columbia considered the matter:

“Some discussion occurred ... concerning the jurisdiction of this court on an appeal from a decision of the Commissioner of Patents. ...[T]he 50th section enacts that the court shall revise the decision appealed from, and that such revision shall be confined to the points set forth in the reasons of appeal. A majority of the court are of opinion that by a true interpretation of these sections we can only examine into the reasons of appeal, and the record and proceedings so far as they apply thereto, for the purpose of ascertaining whether the Commissioner has made an erroneous decision; and that *we cannot revise the decision on any other ground*

than that upon which the application was rejected. ... [W]e are forbidden to set the decision aside on any other ground. Nor can we go into the record at large for the general purpose of seeing whether the decision is right on some other ground not passed upon by the Commissioner, nor stated in the reasons of appeal. It has been suggested that a case may occur in which the true grounds of error are not set forth in the reasons of appeal, and yet the decision be sustainable on some other ground. It is, however, a sufficient answer to this view that it is not our duty to put a forced construction on statutes to remedy supposed evils. Besides, if the party wishes to test his general right to a patent, he can do so under the 52d section, which declares that he may have a bill in a court of equity if he has been refused a patent by the Commissioner.” *In re Conklin*, 1 MacArth. 375, 1874 WL 17286 (Supreme Court, Dist. Col. 1874)(emphasis added).

The nineteenth century Supreme Court has quoted the statutory limitation on the scope of review: “The court, on petition, shall hear and determine such appeal, revise the decision appealed from in a summary way, upon the evidence produced before the commissioner...; and the revision shall be confined to the points set forth in the reasons of appeal. ...” *In re Hien*, 166 U.S. 432, 434 (1897)(quoting Rev. Stat. 4914).

More than 150 years ago, Chief Judge Cranch made the following observation in “an appeal from the decision of the commissioner of patents rejecting the claim of the appellant ... for an improvement in car-wheels for railroads. After this cause was brought before the judge by petition of appeal..., and after the commissioner of patents had, on the day assigned for the hearing of the appeal, laid ‘before him all the original papers and evidence in the case, together with the grounds of his decision fully set forth in writing touching all the points involved by the reasons of appeal,’ Mr. Dennis, in behalf of Mr. Aiken, offered to file a written argument in reply to the commissioner's ‘grounds of his decision,’ but the judge refused to permit it to be filed. The grounds of the commissioner's decision and the reasons of appeal... are to be confined to the points involved by the reasons of appeal, to which points the hearing and the decision of the judge are to be confined. No reply to the grounds of the commissioner's decision is contemplated by the statute. There must be a *finis litium* somewhere; and this seems to be implied here, as the statute does not authorize any further proceeding, except the final decision of the judge. No reply can be admitted to the grounds of the commissioner's decision laid before the judge, and no reply can be permitted to be filed in the office to be recorded with the proceedings. The last official act of the commissioner in the cause is to ‘lay before the judge all the original papers and evidence in the case, together with the

grounds of his decision, fully set forth in writing, touching all the points involved by the reasons of appeal.’ The case is no longer before the commissioner. The applicant has no legal right to reply to those grounds. They are before the judge, and not before the commissioner. The litigation is closed as between the appellant and the office. Nothing further can be done in the case in the office until the decision of the judge and his proceedings shall be certified to the commissioner.” *In re Aiken*, 1 F.Cas. 227, 228 (No. 108)(C.C.D.C. 1850)(Cranch, C.J.).

Early in the twentieth century in *Frasch v. Moore*, the Supreme Court explained transitions in the practice : ““The supreme court, sitting in banc, shall have jurisdiction of and shall hear and determine all appeals from the decisions of the Commissioner of Patents, in accordance with the provisions of sections forty-nine hundred and eleven to section forty-nine hundred and fifteen, inclusive, of chapter one, title 60, of the Revised Statutes (U. S. Comp. Stat. 1901, pp. 3391, 3392), ‘Patents, Trademarks, and Copyrights.’” *Frasch v. Moore*, 211 U.S. 1,7 (1908)(quoting Section 780 of the Revised Statutes of the District of Columbia)

Explaining the statutory scheme, the Supreme Court continues:

“ Section 9 of the ‘Act to Establish a Court of Appeals for the District of Columbia, and for Other Purposes,’ approved February 9, 1893 (27 Stat. at L. 434, 436, chap. 74, U. S. Comp. Stat. 1901, p. 3391), is:

““Sec. 9. That the determination of appeals from the decision of the Commissioner of patents, now vested in the general term of the supreme court of the District of Columbia, in pursuance of the provisions of section seven hundred and eighty of the Revised Statutes of the United States, relating to the District of Columbia, shall hereafter be, and the same is hereby, vested in the court of appeals created by this act; and, in addition, any party aggrieved by a decision of the Commissioner of Patents in any interference case may appeal therefrom to said court of appeals.’

“Thus, the special jurisdiction of the District supreme court in patent appeals was transferred to and vested in the court of appeals, and decisions in interference cases were also made appealable, which had not been previously the case. Rev. Stat. § 4911. The law applicable is § 4914, Revised Statutes, which provides:

‘The court...shall hear and determine such appeal, and revise the decision appealed from in a summary way, on the evidence produced before the Commissioner...; and the revision shall be confined to the points set forth in the reasons of appeal. ...[T]he court shall return to the Commissioner a certificate of its ... decision, which ...shall govern the further proceedings in the case.’” *Frasch v. Moore*, 211 U.S. at 7-8 (1908)

V. THE 1984 STATUTORY WORDING CHANGE

To be sure, there has been a change in the wording of the statute that took place in 1984. But, the absence of any relevance to the issue at hand is manifested perhaps best of all by the fact that nowhere does the Federal Circuit acknowledge that the 1984 change in the wording has any relevance to the issue at hand. The language of the current statute was introduced in 1984 as part of Public Law P.L. 98-620 that replaced the previous wording that “[t]he United States Court of Appeals for the Federal Circuit... shall ... determine such appeal on the evidence produced before the Patent and Trademark Office, and the decision shall be confined to the points set forth in the reasons of appeal.”

The intention of the legislature was to *continue* the existing practice of a record review limited to the grounds of the tribunal below, while eliminating wording relating to the reasons of appeal. Thus, the relevant House Report explains that the legislative purpose behind the amendment was to eliminate formalities involved in *other* sections of the patent law which then required rewording of 35 USC § 144. The reasons included abolition of the statutory “reasons for appeal” as well as formal certification procedures that cost parties money: “[T]he bill amends [35 USC §§] 142, 143 and 144... not only to eliminate ‘reasons of appeal’, but also to remove the burdensome requirement that the Commissioner of Patents and Trademarks shall transmit certified copies to the [Federal Circuit] of all necessary papers and evidence since certification requires substantial expenditure of litigant and taxpayer expense, section 4(a) is a cost-saving provision.” H.R. Rep. 98-619, H.R. Rep. No. 619, 98th Cong., 2nd Sess. 1984, 1984 U.S.C.C.A.N. 5794, 5797 (1984)(discussing Section 4(a)).

That no change was intended in the limitation of the scope of review to the decision below is manifested by the fact that in the extensive discussion in the several concurring and dissenting opinions in connection with the denial of rehearing *en banc* there is no mention of the statutory change in the wording in 1984. The change in the wording was deemed so insignificant by the Solicitor’s Office at the time that it took numerous revisions of the Manual of Patent Examining Procedure to even *acknowledge* a change in the statutory wording. The First Revision of the Fifth Edition of the *Manual of Patent Examining Procedure* – eleven months after the statutory change – repeated the old wording of the statute in MPEP § 1216.01. So too the Second Revision as to MPEP § 1216.01. And the Third Revision as to MPEP § 1216.01. And the Fourth Revision as to MPEP § 1216.01. And the Fifth Revision as to MPEP § 1216.01. Finally, in the October 1987 Sixth Revision as to MPEP § 1216.01 – nearly three (3) full years after the statutory change, the new wording of 35 USC § 144 was

introduced into the *Manual of Patent Examining Procedure*, but without any comment concerning any possible change in the meaning of the law.

VI. CONCLUSION

Assuming, *arguendo*, that the panel is *correct* in its repudiation of existing Federal Circuit case law, the fact remains that *Comiskey* creates a direct conflict with a body of precedent dating back more than a century. As such, it should either be endorsed by the *en banc* court or repudiated, one way or the other.

Points for and against *Comiskey* can be seen, but what is not acceptable is that *Comiskey* remains a panel opinion in conflict with more than a century of precedent: The patent community deserves an *en banc* clarification which either accepts or rejections this bold panel opinion.