The Supreme Court Returns to the Patent Law: Why Now and What's Next?

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It's hard to argue with the numbers. In the first two decades following the inception of the United States Court of Appeals for the Federal Circuit in 1982, the Supreme Court took and decided patent cases at a rate of roughly one case every two terms—largely leaving the Federal Circuit to shape patent doctrine. The last seven Terms have seen a marked increase in the level of Supreme Court interest in the patent law. Since 2001, the Court has decided eleven patent-related cases on the merits, and has requested the views of the Solicitor General on whether to review ten more.

"It looks like something is happening," says Seth Waxman, Chair of WilmerHale's Appellate and Supreme Court Litigation Practice Group, speaking at a Georgetown University Law Center conference that was convened in April to discuss the changing contours of the patent landscape. "The Supreme Court has decided that it is going to roll up its sleeves and get involved in the patent work of the Federal Circuit."

Federal Circuit Judge Arthur Gajarsa, keynote speaker at the conference, points to a particularly hectic spike in Supreme Court interest over the past three Terms, during which the Court has granted certiorari in seven patent cases. "This is the same number of patent cases taken on certiorari during the first twelve years of the court's existence."

According to Waxman, even more striking than the number of times the Supreme Court has granted certiorari in patent cases in recent years is the high rate at which the Court has overturned Federal Circuit decisions. "It is known that the Supreme Court does not take cases to affirm them," Gajarsa says. Indeed, adds Waxman, "you can argue that a grant of cert in a Federal Circuit patent case means that there are at least four votes that think that the Federal Circuit got it wrong." Even so, the recent trend has been overwhelming.

"At least in the past nine cases, the Federal Circuit has not fared well," says Waxman. "In the last nine cases, which accounts for—with one recusal—I think 80 votes of the Supreme Court . . ., the Federal Circuit has gotten three votes, and all of the other votes have been to vacate or reverse." And since April that tally has risen, with the Court voting 9-0 on June 9 to reverse the Federal Circuit's ruling in *Quanta Computers, Inc. v. LG Electronics, Inc.*, ruling that method claims are subject to patent exhaustion and that exhaustion can apply without selling the entire claimed apparatus.

So what has triggered this recent domino effect in the outcomes of Federal Circuit decisions in the Supreme Court? Panelists at the Georgetown conference point to a constellation of factors, one being the general sense that, with the ever-increasing growth of the information economy, intellectual property—and patent law in particular—simply matters more now, and that the current patent system just isn't functioning well enough.

"There is now a conventional wisdom that patents matter too much not to be attended to by the highest court in the land," says Farr & Taranto partner Richard Taranto, speaking at the conference. "There is a general worry that, in some areas of industry at least, there are too many patents, of too low quality, and the goal of the patent system may be being undermined by patents, rather than supported."

The Georgetown panelists also point to the end of what has been viewed as a "honeymoon period" for the Federal Circuit. "I think everyone assumes that there was an unspoken agreement to give the Federal Circuit a few years to get its feet on the ground," agrees WilmerHale intellectual property partner Jim Lampert, speaking recently from his Boston office. With more than 25 years of accumulated patent doctrine under its belt, the court's stance now stands out in greater relief. "There is a sense that the Federal Circuit may have gone too far in being pro–patent holder," says Don Steinberg, chair of WilmerHale's IP Department, "and the Supreme Court is pushing back on that."

While many of the latest Supreme Court's patent decisions are still too new for all of their implications to have become clear, certain cases in the recent cluster stand out for their impact. *eBay, Inc. v. MercExchange, L.L.C.*, which ended a practice of near-automatic issuance of permanent injunctions in patent infringement cases was a sea change—one that has reduced the litigation leverage of patent holders. "An injunction used to follow as night followed day," says Lampert. "The impact of *MedImmune* [making it easier to bring a declaratory judgment action] and *Festo* [limiting application of the doctrine of equivalents] has also filtered down and affected ongoing litigation."

The Court's renewed attention has likewise impacted patent prosecution. The 2007 decision in *KSR Intl Co. v. Teleflex, Inc.* took up the question of obviousness, setting a higher bar for patentability. "As the Court is less enamored of patents, and as it becomes harder to get and enforce patents, it naturally follows that you need to be thinking about patent strategy a lot more carefully, about what you can patent, and how strong the patent is, and how you can set up the patent to maximize its value," says Steinberg.

But the implications don't end there. While the chances of a successful certiorari petition are still slim, the increased openness of the Court to reviewing patent cases means that, even at the outset of a case, it pays for petitioners to set their sights high. And, given the tendency of the Court to look to its own precedents, that means a different doctrinal focus than that pursued in prior years.

"It used to be that you could look at the Federal Circuit and say more or less 'Who cares what happened before that?'" says Steinberg. "Now, you need to think 'Wait a minute—what did the Supreme Court say about this fifty years ago? Have they said anything since then, and are these

views consistent with those of the Federal Circuit? And if they're not, can I attack this and get it up to the Supreme Court?'"

What are the implications of having patent law more fully back in the hands of a generalist court? According to Lampert, it can't be a bad thing. In fact, it may mean resuscitation of a basic question that lies at the heart of patent doctrine: "What is the invention here?"

"Over the last thirty-five years, the question was rarely asked, and when it was you seldom got a straight answer," he says. "If the system can get back to that question, of what conceptual idea did this patentee think he or she had, then you will know what prior art is important; what the claims mean; what might or might not be equivalent; and what the obviousness issues really are."

It's a conceptual approach that the Supreme Court seems to be homing in on in its most recent decisions, and with the issue of the scope of patentable subject matter under 35 U.S.C. §101 now looming, a return to fundamentals seems to be squarely on the Court's agenda.

"What's interesting is that there are statements in the *Quanta* decision that hearken back to earlier statements that the Supreme Court made dealing with patentable subject matter, and you get that in *KSR* as well," says Steinberg. "And even if you look across different decisions, you see certain trends in how they're addressing very different problems. The Supreme Court is not too hung up about the form of the claim. They're looking at what it is that the inventors appear to have invented."

The Georgetown panelists point to *Laboratory Corp. of Am. Holdings v. Metabolite Labs, Inc.*, which in 2006 came close to becoming a vehicle for the Court's consideration of the subject matter question. The subject matter issue is clearly the one to watch, and promises to have major ramifications in areas ranging from biotech, to microelectronics, to business methods. All are looking closely at the outcome of *In re Bilski*, currently before the Federal Circuit.

"We've issued a number of 101 decisions, knowing full well that the Supreme Court is looking for a vehicle to look at §101," says Judge Gajarsa of the Federal Circuit, speaking to the Georgetown crowd. "We're witnessing the beginning of what will become a comprehensive Supreme Court reform of this country's patent law jurisprudence. . . . I think we've begun to realize that it's a new dawn."

The upcoming Harvard Law School Conference on Intellectual Property Law, to be held on Tuesday, September 9, will bring together judges, top legal scholars and experienced practitioners to discuss the latest on these and other issues changing the shape of intellectual property law.