

A VIEW FROM THE COURT

Virginia State Bar IP Section

September 27, 2008

Judge Alan D. Lourie

I am very pleased to be here today. The first chief judge of our court, Howard Markey, used to begin a speech by saying that he was glad to be here, in fact, that he was glad to be anywhere, as he used to be a test pilot. Well, I was never a test pilot. But I'm glad to be here because this is an important group and this is a nice spot, an easy drive from Washington.

What I'll do in my talk today is to discuss the court a bit and then I'll make some comments about today's world of patent law. I'll add some nuts and bolts tips on good practice, and, finally, I'll try to answer questions to fill in what I missed.

The most significant aspect of any court is its current membership and leadership. For the past three plus years, Judge Michel has been our chief judge. He is energetic, dedicated, and anxious to improve all aspects of our court and its work. We look forward to his continuing service as chief.

The court's membership has been stable since Judge Clevenger took senior status a few years ago. He happily still sits with us, but his active seat has been occupied by Judge Kimberly Moore, who has made a valuable contribution to the court in the short time she has been with us. We now have four senior judges sitting with us, all carrying a portion of the case load. One of our senior judges, Judge Friedman, celebrated his 92nd birthday last February. While he only sits part time, as do the other senior judges, he is fully engaged and is a great colleague from whom we all

continue to learn. Senior Judges Plager and Archer also sit with us part-time. Some of our judges are eligible to take senior status at the present time, but have chosen not to for the time being; others will become eligible in the next few years. Who, if any, will choose to go senior and create seats open for new nominees remains to be seen.

Our caseload is variable. For the 12-month period ending August 2008, we have had 1,380 appeals filed compared with 1,599 the previous year. Patent appeals from the district courts were the most numerous, government employee appeals being next. While our overall rate of appeals decreased from the previous year, neither the district court nor the employee appeals did so. Both increased. The decline in other sectors was in claims against the government, veterans' appeals, and trade cases. We often have this variability when a number of cases are filed in a particular field, for example, veterans' appeals, then stayed pending resolution of a test case, and then remanded for resolution in light of that decision. Thus, the data do not indicate long term trends. Patent appeals were 40% of the total, fairly high historically.

You might find it interesting to know how long it takes on average for a case to be decided. The median age of all pending appeals as of the end of August was 4.7 months, 5.5 months for district court cases. From docketing to disposition, it has taken 9.1 months and 11.3 months, respectively, for cases terminated during the last year. And from calendaring to disposition, it has taken 1.6 months and 2.1 months, respectively. Thus, however one looks at the data, I think the court is reasonably up to date.

Not too long ago we decided an important patent case en banc, the Seagate case. It accomplished two changes in our law relating to attorney-

client privilege and willfulness. First, we held that willfulness is not shown by failure of an accused infringer to exercise due care in considering whether to undertake certain conduct, but by whether objective recklessness has been shown by that conduct, expressly overruling an earlier holding in Underwater Devices. In addition, we held that waiver of attorney-client privilege for opinion counsel does not waive the privilege for communications with trial counsel or trial counsel's work product, except in exceptional circumstances.

We currently have one case before the en banc court: In re Bilski involving the patentability of what are sometimes called business method patents. We just recently decided Egyptian Goddess, involving design patents. In that case, we held that the ordinary observer test is the sole test for determining design patent infringement and that the point of novelty test should no longer be used in analyses of infringement. Nor should a non-trivial advance be an aspect of the test. We regularly have other cases circulating around the court for consideration of en banc hearing or rehearing. The Supreme Court currently has two of our cases pending, one involving a trade issue, and the second involving notice to veterans. No patent cases yet.

One important aspect of our work in the past two years has been that we have invited district court judges to sit with us, one or two each month. They generally have been judges that hear a lot of patent cases and like them. We have greatly enjoyed and benefited from their joining us and have reason to believe that they have also. One thing they always express surprise about is the diversity of our cases. They are used to thinking of us only as the patent court. We are of course the patent court, but not a patent court. Several of them have also said "now we know why there are

so many reversals.” They have seen some of the opinions from district courts and some of the arguments lawyers have raised with us. We can guess how they argued below.

On this issue of district court judges sitting with us, some recent patent bills have proposed to eliminate the current statutory requirement that judges on our court live within a 50-mile radius of the district. In my view, no persuasive reason has been given for that change. I believe it would be contrary to the best interest of the court and its functioning, and hence the law. It has been suggested that a reason for a change is that we would benefit from having a district court judge or judges on our court, and that the 50-mile rule discourages that. Many judges would have to move and they may not wish to.

Certainly we would benefit from having a former district court judge on the court, as we benefit from colleagues with a variety of backgrounds. But having someone on the court live in Chicago or Los Angeles or Houston would be like having a visiting judge, someone who comes in only once a month and is therefore not an integral part of the court. We have the benefit of all being in one building, and also having our law clerks in one building. We can just walk next door, or up or down a flight, to discuss substantive issues or just be collegial. While the other circuits obviously operate with judges living all over their circuits, we have an advantage that we should not give up or be deprived of. And anyone who wants to be on our court may well also be willing to move, as Judge Newman and I were, and other district court judges whom we know of have been. Thus, I see only downsides and little upside in such a provision. Happily, just yesterday, I learned of a new Senate patent reform bill introduced by Senator Kyl, S. 3600, that no longer deletes the 50-mile requirement. That

is good news. However, I certainly welcome district court judges who are appointed to the court and who move to the Washington area to our court. I know they would make valuable contributions to the court.

We are sitting in Silicon Valley in November as our annual excursion outside Washington. We will be sitting at courthouses and at law schools. We will also meet with many of the local district court judges at that time. Those meetings are always useful for us, to exchange thoughts on our respective tasks and to become better acquainted. We don't of course discuss cases. Some of us also venture out of our circuit from time to time, sitting on other circuits. I will be a visiting judge on the Third Circuit next winter. They will be my 18th and 19th panels with that court.

Many of you have seen our renovated courtroom, 201. It now accommodates over 400 people, compared with perhaps 150 before the renovation. We even have a balcony, and the courtroom is wired for computers for the judges and law clerks. We have also finished a similar, but less extensive, renovation of courtroom 402. Courtroom 203 will be next. During these renovations we have had to have afternoon hearings, and that may resume as work is done on our third courtroom.

The court has instituted a mediation program. All parties are now required to consider mediation, but they still have the right to turn it down if they wish. A number of cases have been settled as part of this process, but whether it becomes permanent depends on the overall experience of the parties and the court. However, experience thus far has been much more favorable than expected, especially with patent cases, and it may well become a permanent aspect of our appellate activity.

Let me now talk about the patent system in general. For the past couple of decades, we have been in the midst of what many of us have

called the golden age of intellectual property. Patents and copyrights have been recognized as important contributors to our system of industrial innovation and they have been readily enforced by the courts, which wasn't always the case historically, at least for patents. I used to issue cautionary warnings, though, in speeches to attorney groups, not to press their luck; don't overassert patents because sooner or later the pendulum might swing back. Well, the pendulum has now swung, and how far and to what result no one knows. The press now routinely talks about problems in the patent system, often including our court as part of the problem.

That the pendulum has now swung can be shown by the activity of both Congress and the Supreme Court, and by numerous articles in the press questioning, even asserting, that the patent system is broken. There is now pending in the Senate a so-called patent reform bill, and one has already passed the House. Opinions differ as to whether they contain good or bad provisions, and for whom. I won't attempt to analyze them, as I am no seer, and I am not in the industrial or litigating communities that are closest to the action. But change seems to be in the works.

The Supreme Court has also stepped in, deciding cases involving obviousness, injunctions, declaratory judgment jurisdiction, exhaustion of patents, and the extraterritorial effect of patents. In each case, they reversed us, and their actions were interpreted by many as weakening the strength of patents to the detriment of innovators. They did, however, affirm us unanimously in a tax case and affirmed a case involving the statute of limitations in the Tucker Act. So we don't get reversed all the time.

Why have they reversed us so much in patent cases? And why is the patent system under attack? How did this turnabout occur? One can

speculate how any social movement arose and what gave it momentum, but a few guesses can be made here. Articulate academicians, of which there were very few in the patent field until recent years, have been writing about the patent system and our court, attempting to point out what is wrong with the patent system. Writers do tend to criticize, not praise. They also criticize the Patent Office and what they assert is its tendency to issue poor patents. No doubt an overcrowded examination system that places quotas on examiners plays a role in our less-than-perfect examination system.

Our court has also been asserted to be too pro-patent and to unwisely favor juries. I think those comments are off the mark. In fact, given our Markman jurisprudence, assigning claim construction to trial judges, we are seeing a majority of our patent appeals come to us from summary judgments of non-infringement. In other words, fewer patent suits are getting to juries. Whether that is good or bad, and opinions in the bar and among commentators vary on that issue, I believe it is a fact. Thus, our court cannot justly be criticized for pushing complicated cases to jury trials, other than in its earlier years when it recognized that a plaintiff patentee is entitled to a jury trial under the 7th Amendment.

Moreover, I don't think we are unduly pro-patent. In its early years, before I was on the court, it tried to unify the patent law, as Congress intended when the court was created. In doing so, it gave meaning to various parts of the statute that had been honored in the breach for many years, such as the presumption of validity, the right to a preliminary injunction, the right to lost profits, and the right to a jury trial. That was perhaps a pro-patent period, but that was because it was pro-statute,

reversing a period of weak patent law. That initial time of reform passed long ago.

Since I have been on the court, over 18 years, not once have we had a discussion as to what direction the law should take, whether we should be pro-patent or not. That is because we are not a policy-making body. We have just applied the law and precedent as best we could determine it to the cases that have come before us. In fact, we have been criticized for, in the view of some people, narrowing the doctrine of equivalents, emphasizing the need for a written description commensurate with the claims, and affirming summary judgments of non-infringement that in effect preclude juries from deciding these cases. To the extent those accusations may have any factual basis, they hardly comport with the fiction of a pro-patent court. They could be viewed as the opposite. So decisions are conscientiously made on the facts and law, not in any attempt to be pro- or anti-patent.

An important factor I believe is that a change has occurred in the attitude of industry toward the patent system. When I was in industry, all the innovative sectors of the economy supported the patent system, whether they used patents to exclude others from using their patented their inventions or whether they generally licensed them. But they all supported patents as important to encourage invention and innovation. That unanimity apparently has changed.

The chemical-pharmaceutical-biotechnology companies, which need strong patents in order to justify their lengthy and expensive research and development, have defended the system as always. But the computer and software people, with fast product development times, short product lives, and many components in their products, have felt burdened by lawsuits

and threatened with injunctions and potentially large damage awards. The RIM suit, involving that nice little gadget many of us now carry around in our pockets, is an example of that concern.

These companies have urged changes in the law relating to injunctions, patentability, reexamination, and damages that the chem-pharma-bio people have opposed. Thus, large industry no longer has a unified front to present to Congress and the public on the attributes of an effective patent system. And the press picks up on this division of views and reinforces the criticism. Hence the controversial legislation that is now struggling to get passed.

Whatever Congress chooses to do with our law, and whatever the Supreme Court has already done, such changes will govern our jurisprudence, and we will continue to apply the law to the cases that come before us, based on the standard of review and the issues raised before us and decided below. As for the effect that the Supreme Court decisions will have on future decisions, time will tell. It depends upon how the Patent Office examines patents, how the district courts decide their cases, and, of course, how we review them. Advocates and lobbyists always forecast that the sky is falling; I doubt that it will, but of course I don't know whether serious adverse consequences will ensue from anything that has happened or is happening in the patent field, and, if so, how serious.

Let me include some advice for you practitioners, some nuts and bolts issues that the court encounters from time to time. First, make sure your case is final before you bring it to us. We see appeals brought to us with unresolved counterclaims, for inequitable conduct, validity, etc. Those cases thus are not final and appealable. Even if the district judge states in his or her opinion that the case is final, it isn't so until the counterclaims are

dismissed. We have, regrettably, but necessarily, sent several such appeals back to the district courts to cross the t's and dot the i's.

Second, don't file a cross-appeal only to make another argument for affirming the judgment. That is not properly a cross-appeal. A cross-appeal is proper only for the purpose of changing the judgment in some respect. We therefore won't read a fourth brief and won't let an improper cross-appellant have a second chance for argument when it is only raises another ground for affirming the judgment. And we will unhappily suspect that the culprit is just trying to get added briefing space and argument time, which doesn't enhance our impression of the competence or integrity of counsel making this improper cross-appeal.

Third, when an exclusive licensee files for infringement, make sure the patent owner is joined, so we won't have to split hairs on whether all substantial rights have been transferred by the license entitling the licensee to sue alone, and sometimes dismiss the case. We see too many of these wheel-spinning cases. Do it right and join the record owner of the patent.

Finally, don't over protect information in briefs on the dubious assertion that every business fact is super-confidential. It makes it difficult for us to ask questions from the bench and write an opinion.

As for little tips, don't provide single-spaced, textual footnotes. They make the text hard to read, and some therefore might not be read. Limit the issues. Having more than three issues in a brief suggests to us that you don't have a strong appeal. And, while you're about it, limit the issues before the district courts. I have little doubt that some courts are led astray by the shotgun pleadings attacking every conceivable aspect of a patent. I believe that is one reason why there are so many reversals in our court. District court judges do the best they can, but some lawyers make life

difficult for them. And, on the other side of the line, don't overassert patents against parties reasonably not infringing. We see cases with all sorts of unrealistic arguments, where simply objectively looking at the claims and the accused device tells us that there is no infringement. Those cases should never have been brought, much less appealed.

I have enjoyed talking with you and am happy to answer questions.