

No. 09-

IN THE
Supreme Court of the United States

MEDELA AG and MEDELA, INC.,

Petitioners,

—against—

KINETIC CONCEPTS, INC., KCI LICENSING, INC.,
KCI USA, INC., and WAKE FOREST UNIVERSITY
HEALTH SCIENCES,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

JOHN F. DUFFY
STEPHEN S. RABINOWITZ
HENRY C. LEBOWITZ

Of Counsel

August 13, 2009

JAMES W. DABNEY
Counsel of Record
FRIED FRANK HARRIS
SHRIVER & JACOBSON LLP
One New York Plaza
New York, New York 10004
(212) 859-8000

Attorneys for Petitioners

QUESTION PRESENTED

To qualify for patent protection, a claimed invention must constitute “non-obvious subject matter.” 35 U.S.C. § 103. This Court has long held that “[t]he ultimate judgment of obviousness is a legal determination.” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 427 (2007) (citing *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)). Under Federal Circuit precedent, however, a person accused of patent infringement has no right to independent judicial, as distinct from lay jury, determination of obviousness. Rather, the Federal Circuit has held that a jury may render a verdict on the ultimate issue of obviousness, and that court review of such a verdict is limited to (i) “re-creating” facts that “may have been found” by the jury in reaching its legal conclusion of obviousness, and then (ii) inquiring whether there was any permissible legal rationale that the jury might have adopted in reaching its legal conclusion of obviousness. Federal Circuit precedent on this point conflicts with two en banc decisions of regional circuit courts.

The question presented is:

Whether a person accused of patent infringement has a right to independent judicial, as distinct from lay jury, determination of whether an asserted patent claim satisfies the “non-obvious subject matter” condition for patentability.

RULE 29.6 STATEMENT

Pursuant to this Court's Rule 29.6, Petitioners identify Medela Holding AG and Olle Larsson Holding AG as parent corporations.

TABLE OF CONTENTS

	<u>Page</u>
QUESTION PRESENTED	i
RULE 29.6 STATEMENT	ii
TABLE OF AUTHORITIES	v
OPINIONS BELOW	1
JURISDICTION.....	1
STATUTORY PROVISION INVOLVED	1
STATEMENT OF THE CASE.....	1
A. District Court Proceedings.....	4
B. Federal Circuit Proceedings	8
REASONS FOR GRANTING THE PETITION.....	9
I. THERE IS AN ACKNOWLEDGED CIRCUIT SPLIT.....	11
II. THE FEDERAL CIRCUIT'S APPROACH CONFLICTS WITH, OR IS IN DEEP TENSION WITH, THIS COURT'S PRECEDENTS ON OBVIOUSNESS.	17

III.	THE FEDERAL CIRCUIT'S APPROACH IS DIFFICULT OR IMPOSSIBLE TO RECONCILE WITH SETTLED PRINCIPLES OF ADMINISTRATIVE LAW.....	19
IV.	THE ISSUE IS IMPORTANT AND WORTHY OF THIS COURT'S ATTENTION.....	22
	CONCLUSION.....	30

TABLE OF AUTHORITIES

	<u>Page(s)</u>
CASES	
<i>ACS Hosp. Sys., Inc. v. Montefiore Hosp.</i> 732 F.2d 1572 (Fed. Cir. 1984).....	26
<i>Am. Airlines, Inc. v. Lockwood,</i> 515 U.S. 1121 (1995)	10, 23, 24
<i>Anderson’s-Black Rock, Inc. v. Pavement Salvage Co.,</i> 396 U.S. 57 (1969)	3
<i>Baumstimler v. Rankin,</i> 677 F.2d 1061 (5th Cir.1982)	15
<i>Cardinal Chem. Co. v. Morton Int’l, Inc.,</i> 508 U.S. 83 (1993)	7
<i>Control Components, Inc. v. Valtek, Inc.,</i> 609 F.2d 763 (5th Cir.), <i>reh’g denied</i> , 616 F.2d 892, <i>cert. denied</i> , 449 U.S. 1022 (1980)	14, 15
<i>Cox v. United States,</i> 332 U.S. 442 (1947)	10, 19, 20, 21, 22
<i>Dann v. Johnston,</i> 425 U.S. 219 (1976)	3
<i>Dickinson v. Zurko,</i> 527 U.S. 150 (1999)	19

<i>eBay Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006)	21
<i>Ford v. United States</i> , 273 U.S. 593 (1927)	20
<i>Gila Valley, Globe & N. Ry. Co. v. Hall</i> , 232 U.S. 94 (1914)	20
<i>Graham v. John Deere Co.</i> , 383 U.S. 1 (1966)	<i>passim</i>
<i>Group One, Ltd. v. Hallmark Cards, Inc.</i> , 407 F.3d 1297 (Fed. Cir. 2005).....	8, 13
<i>Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.</i> , 535 U.S. 826 (2002)	16
<i>In re Lockwood</i> , 50 F.3d 966 (Fed. Cir. 1995).....	22, 23, 24
<i>KSR Int’l Co. v. Teleflex Inc.</i> , 550 U.S. 398 (2007)	<i>passim</i>
<i>Lear, Inc. v. Adkins</i> , 395 U.S. 653 (1969)	19
<i>LNP Eng’g Plastics, Inc. v. Miller Waste Mills, Inc.</i> , 275 F.3d 1347 (Fed. Cir. 2001).....	8
<i>Markman v. Westview Instruments, Inc.</i> , 517 U.S. 370 (1996)	29
<i>McGinley v. Franklin Sports, Inc.</i> , 262 F.3d 1339 (Fed. Cir. 2001).....	4, 9, 13

<i>MedImmune, Inc. v. Genentech, Inc.</i> , 549 U.S. 118 (2007)	22
<i>Perkin-Elmer Corp. v. Computervision Corp.</i> , 732 F.2d 888 (Fed. Cir. 1984).....	11
<i>Pfaff v. Wells Elecs., Inc.</i> , 525 U.S. 55 (1998)	16
<i>Richardson v. Suzuki Motor Co.</i> , 868 F.2d 1226 (Fed. Cir. 1989).....	11, 12
<i>Roberts v. Sears, Roebuck & Co.</i> , 723 F.2d 1324 (7th Cir. 1983).....	3, 13, 14
<i>Sakraida v. Ag Pro, Inc.</i> , 425 U.S. 273 (1976)	2
<i>Sarkisian v. Winn-Proof Corp.</i> , 688 F.2d 647 (9th Cir. 1982)	3, 11
<i>Steele v. United States</i> , 267 U.S. 505 (1925)	20
<i>United States v. Adams</i> 383 U.S. 39 (1966)	3
STATUTES AND RULES	
28 U.S.C. § 1254(1)	1
28 U.S.C. § 1295(a)(1)	1, 16
28 U.S.C. § 1338(a)	1
35 U.S.C. § 103.....	<i>passim</i>

Fed. R. Civ. P. 49 18

OTHER AUTHORITIES

Martin J. Adelman et al., *Patent Law in a Nutshell* (2008) 18

Advisory Commission on Patent Law Reform, *A Report to the Secretary of Commerce* (1992) 24, 25

Kenneth Culp Davis, *Administrative Law Treatise* (West 1958)..... 21

John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 Sup. Ct. Rev. 273..... 29

Hon. Timothy B. Dyk, *Forward: Does the Supreme Court Still Matter?*, 57 Am. U. L. Rev 763 (2008)..... 29

John M. Golden, *The Supreme Court as “Prime Percolator”: A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. Rev. 657 (2009) 29

Adam B. Jaffe, *Patent Reform: No Time Like the Present*, 4 J. L. & Pol’y for Info. Soc’y 59 (2008)..... 28

Adam B. Jaffe & Josh Lerner, *Innovation and Its Discontents: How Our Broken Patent System Is Endangering Innovation and Progress* (Princeton 2004)..... 25, 26, 27

Louis L. Jaffe, <i>Judicial Control of Administrative Action</i> (Little Brown 1965)	21
Mark D. Janis, Patent Law in the Age of the Invisible Supreme Court, 2001 U. Ill. L. Rev. 387.....	29
William F. Lee et al., <i>Reflections on the Ongoing Role of Juries in Determining Obviousness in Patent Cases After the Supreme Court's Decision in KSR</i> , 76 Patent, Trademark & Copyright J. No. 1870 (BNA May 30, 2008)	28, 29
Allan N. Littman, <i>The Jury's Role in Determining Key Issues in Patent Cases: Markman, Hilton Davis and Beyond</i> , 37 IDEA 207 (1997)	27, 28
Robert P. Merges and John F. Duffy, <i>Patent Law and Policy</i> (4th ed. 2007).....	1, 18
Kimberly A. Moore, <i>Juries, Patent Cases, & a Lack of Transparency</i> , 39 Hous. L. Rev. 779 (2002)	18
Janice M. Mueller, <i>Introduction to Patent Law</i> (2006)	18
Gary M. Ropski, <i>Constitutional and Procedural Aspects of the Use of Juries in Patent Litigation</i> , 58 J. Pat. Off. Soc'y 609 (1976)	14

Constantine L. Trela, Jr., *An Afterward to:
A Panel Discussion on Obviousness in
Patent Litigation: KSR International v.
Teleflex*, 6 J. Marshall Rev. Intell.
Prop. L. 633 (2007) 28

Medela AG and Medela, Inc. hereby petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit entered in this action.

OPINIONS BELOW

The opinion of the Court of Appeals is reported at 554 F.3d 1010 and is reproduced in Appendix A. The jury verdicts relevant to this Petition are reproduced in Appendix B. The final judgment of the District Court is reproduced in Appendix C. The District Court's opinion denying Petitioners' renewed motion for judgment as a matter of law is unreported and is reproduced in Appendix D.

JURISDICTION

The final judgment of the Court of Appeals was entered on February 2, 2009. A petition for rehearing was timely filed on February 17, 2009, and was denied on March 31, 2009. By Order dated June 22, 2009, this Court extended Petitioners' time to file a petition for a writ of certiorari to and including August 13, 2009. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

The district court had jurisdiction to hear this action under at least 28 U.S.C. § 1338(a). The Federal Circuit had jurisdiction to hear Respondents' appeal and Petitioners' cross-appeal under 28 U.S.C. § 1295(a)(1).

STATUTORY PROVISION INVOLVED

35 U.S.C. § 103(a) prescribes the "non-obvious subject matter" condition for patentability. The text of this section is reproduced in Appendix E.

STATEMENT OF THE CASE

One of the most important conditions for patent validity is the requirement set forth in 35 U.S.C. § 103(a) that a claimed invention must have been "non-obvious subject matter" at the time of its making by a patent applicant. See Robert P. Merges and John F. Duffy, *Patent Law and Policy* 611-12 (4th ed.

2007) (describing nonobviousness as “the ultimate condition of patentability” and “the final gatekeeper of the patent system”) (internal quotations omitted). This case presents the question whether a person accused of patent infringement has a right to independent judicial, as distinct from lay jury, determination of whether an asserted patent claim satisfies that condition for patentability.

The “non-obvious subject matter” condition in § 103 was first codified by Congress in 1952 and first interpreted by this Court in the seminal case of *Graham v. John Deere Co.*, 383 U.S. 1 (1966). *Graham* held that “the ultimate question of patent validity is one of law,” *id.* at 17, and was to be “determined” by reference to “several basic factual inquiries” including “the scope and content of the prior art,” the “differences between the prior art and the claims at issue,” and “the level of ordinary skill in the pertinent art.” *Id.*

The *Graham* Court described its opinion as “focus[ing] attention on the *appropriate standard to be applied by the courts*,” *id.* at 18 (emphasis added), and stated “that the inquiry which the Patent Office and *the courts must make as to patentability* must be beamed with greater intensity on the requirements of § 103.” *Id.* at 19 (emphasis added). Furthermore, the Court described the *Graham* litigation in the lower courts as “present[ing] a *conflict between two Circuits* over the validity of a single patent.” *Id.* at 4. These and other statements in the *Graham* opinion strongly suggested that judges, not juries, were required to undertake the complex weighing and balancing of factors that answered “the ultimate question of patent validity” as “one of law.” *Id.* at 17.

In subsequent cases interpreting the nonobviousness requirement of § 103, this Court reiterated that the “ultimate test of patent validity is one of law,” *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 280 (1976), and repeatedly engaged in independent assessments of whether subject matter claimed in a patent was properly deemed “non-obvious subject matter.” *See*,

e.g., *Dann v. Johnston*, 425 U.S. 219, 230 (1976) (“The gap between the prior art and respondent’s system is simply not so great as to render the system nonobvious to one reasonably skilled in the art”); *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57, 62-63 (1969) (“We conclude further that to those skilled in the art the use of the old elements in combination was not an invention by the obvious-nonobvious standard.”); *United States v. Adams*, 383 U.S. 39, 51 (1966) (“We conclude the Adams battery was also nonobvious.”). In all of these cases the Court identified the relevant prior art and engaged in complex reasoning and analysis en route to reaching its judgment. In none of these cases did the Court suggest that juries, rather than judges, could properly determine whether an asserted patent claim satisfied the § 103 condition as a legal matter.

The extent to which judges, rather than juries, were required to determine obviousness under 35 U.S.C. § 103 was such an important issue that two regional circuit courts adjudicated the issue in en banc decisions before intermediate appellate jurisdiction in patent cases was centralized in the Federal Circuit in 1982. See *Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324, 1341-44 (7th Cir. 1983) (en banc); *Sarkisian v. Winn-Proof Corp.*, 688 F.2d 647, 651 (9th Cir. 1982) (en banc) (per curiam). The Seventh and Ninth Circuits both held, en banc, that judges must independently determine whether proven facts lead to a legal conclusion of obviousness.

Starting in October 1982, appeals from judgments in civil actions “arising under” federal patent law were diverted from the regional circuits to a then newly-created intermediate appellate court, the Court of Appeals for the Federal Circuit. In sharp contrast with Seventh and Ninth Circuit precedent, the Federal Circuit took the position that lay juries can render verdicts that *preclude* independent judicial determination of the ultimate question of patent validity under § 103. Such jury verdicts typically take the form of simple “yes” or “no” answers to ques-

tions whether an asserted patent claim is invalid for obviousness.

Recognizing that a legal conclusion of obviousness or nonobviousness may rest on myriad different combinations of underlying historical facts and widely varying legal rationales, Federal Circuit precedent holds that post-trial or appellate review of a jury's verdict on the ultimate question of obviousness entails "*re-creating* the facts as they *may have been found* by the jury," and determining whether such hypothetical facts would be sufficient to support a legal conclusion of validity on *any* theory. *McGinley v. Franklin Sports, Inc.*, 262 F.3d 1339, 1351 (Fed. Cir. 2001) (emphasis added).

The present case well illustrates the operation of the Federal Circuit's approach and its practical effect, which is to eliminate any requirement that valid reasoning or analysis underlie a legal determination of obviousness or nonobviousness in patent litigation.

A. District Court Proceedings

In August 2003, Respondents sued Petitioners for alleged infringement of two patents that disclosed allegedly novel apparatus and methods for treating wounds by applying negative pressure to the wounded area. Respondents demanded trial by jury of all issues so triable. Petitioners denied infringement, pleaded affirmative defenses, and counterclaimed for a declaratory judgment that the asserted claims of Respondents' patents were invalid.

Following nearly three (3) years of pretrial proceedings, the case was called for jury trial. At the conclusion of the Respondents' evidence, Petitioners moved for judgment that the asserted claims were invalid under § 103 as a matter of law. The motion was denied. Petitioners then introduced evidence in support of their defense of invalidity and their counterclaim seeking a declaratory judgment of invalidity.

At the conclusion of all the evidence, the district court provided the jury with lengthy instructions that stated in part:

In determining whether or not these claims would have been obvious, you should make the following determinations:

First, what is the scope and content of the prior art?

Second, what differences, if any, are there between the invention of the claims of the patents and the prior art?

Third, what was the level of ordinary skill in the art at the time the invention was made?

Fourth, are there any objective indications of non-obviousness?

Against this background, you must decide whether or not the invention covered by the claims in this case would have been obvious.

The jury was further instructed that its “determinations” of the above-identified matters were in turn dependent on various subsidiary legal conclusions. With regard to “the scope and content of the prior art,” the jury was instructed that (i) as to certain “documents and events, you will be required to determine whether such documents or events *qualify* as prior art”; (ii) “you should determine *what is disclosed* in the prior art”; and (iii) “[y]ou must decide whether this prior art *was reasonably relevant* to the particular problem the inventor faced in making the invention covered in the patent claims.” (Emphasis added.)

With regard to “the level of ordinary skill in the art at the time the invention was made,” the jury received instructions on (iv) the circumstances in which a claimed “invention” may be deemed to have been “made”; and (v) “[f]actors to consider in determining the level of ordinary skill in the art.”

With regard to “objective indications of non-obviousness,” the jury was instructed that “you must consider certain factors which, if established, *weigh* in favor of finding that the invention would not have been obvious.” (Emphasis added.) The “factors” so identified included (vi) “whether the invention was commercially successful;” (vii) “whether the invention satisfied a long-felt need in the art;” and (viii) “whether the invention was copied by others in the art.”

Finally, the district court propounded jury interrogatories that called for “yes” or “no” answers to the following questions:

Have the Defendants proven by clear and convincing evidence that the invention claimed in any of the following claims of the ‘643 patent would have been obvious to a person of ordinary skill in the art at the time the invention was made, in light of the prior art? In answering Question No. 17, please refer to pages 25-34 and 38-45 of the Court’s Instructions.

Have the Defendants proven by clear and convincing evidence that the invention claimed in any of the following claims of the ‘081 patent would have been obvious to a person of ordinary skill in the art at the time the invention was made, in light of the prior art? In answering Question No. 18, please refer to pages 25-34 and 38-45 of the Court’s Instructions.”

The jury provided thirty-seven (37) “no” answers to the questions quoted above (one answer for each patent claim asserted). *See* Appendix B hereto.¹ The

¹ The jury also found that Respondents had failed to prove infringement of the asserted patents; however, notwithstanding the finding of non-infringement, the

jury was not asked to provide, and did not provide, any explanation of these “no” answers. It is quite literally impossible to determine what facts the jury considered to have been proved, or not proved, by Petitioners relevant to their counterclaim of invalidity under 35 U.S.C. § 103(a), or what process of reasoning led the jurors to reach their “no” answers.

Based on the jury’s verdict, the district court issued a final judgment that Petitioners “take nothing on their counterclaims against the Plaintiffs for declarations of patent invalidity and patent unenforceability.” See Appendix C hereto. The district court did not provide any reasoning or analysis in support of this judgment.

Petitioners then renewed their motion for judgment as a matter of law. Still, the district court declined to make any independent determination of the issue of obviousness. Applying Federal Circuit precedent, the district court stated (*see* Appendix D):

Applying the legal standards and upon review of the briefing, the Court finds sufficient evidence to justify the jury’s verdict and thus declines to disturb it. The Court finds merit in Plaintiffs’ credibility arguments. It is the province of the jury – not the judge – to determine the credibility of witnesses. In such a case as this, wherein highly qualified and devoted counsel represent both sides through a lengthy trial, jurors must wrestle with the credibility

Footnote continued from previous page

district court retained jurisdiction to determine the merits of the Petitioners’ counterclaim for patent invalidity. See *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 96-97 (1993).

of lay and expert witnesses alike, whose juxtaposed opinions are often equally possible but entirely diametric. As such, while it may be true that Defendant Medela provided arguably ample evidence of patent invalidity, such evidence carries only the weight as measured by a pool of dedicated jurors.

B. Federal Circuit Proceedings

Petitioners timely appealed to the Federal Circuit from the district court's judgment that they "take nothing" on their counterclaim against Respondents for a declaratory judgment of invalidity under 35 U.S.C. § 103(a). Petitioners argued that the district court erred by "fail[ing] to make its own legal determination of obviousness," by "treat[ing] the obviousness conclusion as a pure factual question," and by "merely h[o]ld[ing] that the jury could reasonably have relied on the testimony of KCI's expert and rejected Medela's expert." Pet. C.A. Br. at 54.

In reviewing the district court's judgment on this issue, the Federal Circuit stated that "[t]he scope and content of the prior art are factual questions to be determined by the jury," App. at 17a, but because the jury in this case made no findings on those matters, the Federal Circuit applied its highly deferential standard of review: "This court reviews these factual determinations, 'whether explicit or *implicit within the verdict*, for substantial evidence.'" *Id.* (quoting *LNP Eng'g Plastics, Inc. v. Miller Waste Mills, Inc.*, 275 F.3d 1347, 1353 (Fed. Cir. 2001)) (emphasis added).

The phrase "implicit within the verdict" does not, in this context, connote factual findings that a jury must actually and necessarily have made, but rather refers to *hypothetical* factual "findings" that a jury *might* (or might not) have made. See *Group One, Ltd. v. Hallmark Cards, Inc.*, 407 F.3d 1297, 1304 (Fed. Cir. 2005) ("In re-creating the facts as they *may*

have been found by the jury, and in applying the *Graham* factors to the evidence of record in this case, we assess the evidence in the light most favorable to the verdict winner.”) (quoting *McGinley*, 262 F.3d at 1351) (emphasis added).

Applying this standard, the panel majority cited disputed testimony that prior art references, including printed publications, purportedly “did not teach or suggest ‘treating a wound with negative pressure,’” App. at 19a, and concluded: “we *must assume* that the jury found that the prior art does not disclose ‘treating a wound with negative pressure’ within the meaning of the patents.” App. at 20a (emphasis added). Whether the jury *actually* made any such finding in this case, or utilized legal reasoning that was similar to that utilized by the panel below, is impossible to know or to determine.

For all of the time and money that went into developing and presenting proofs on the legal issue of patent validity in this case, no court has ever, to this day, made any independent determination of that issue.

REASONS FOR GRANTING THE PETITION

Federal Circuit precedent broadly and improperly abrogates any right to independent judicial, as distinct from lay jury, determination of whether an asserted patent claim satisfies the nonobviousness requirement of 35 U.S.C. § 103(a).

Federal Circuit precedent on this point –

- conflicts with two en banc decisions of other circuits, both of which were unanimous in rejecting the very sort of jury procedure that was used in this case and in many other cases. (*See* Part I, *infra*.)

- conflicts with, or is in deep tension with, this Court’s precedents on obviousness, which have repeatedly described obviousness as “a legal determination,” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 427 (2007), stated that obviousness analysis was to be conducted by “a court, or patent examiner” (*id.* at

407), and instructed that “this analysis should be made explicit” so as “[t]o facilitate review” (*id.* at 418). (See Part II, *infra.*)

- is difficult or impossible to reconcile with settled principles of federal administrative law, under which the power to “pass on the validity of an administrative order” is reserved exclusively to courts, not juries, even in actions where a right to trial by jury exists and the invalidity of the administrative action is a legal defense to the action. See *Cox v. United States*, 332 U.S. 442, 453 (1947). (See Part III, *infra.*)

As shown by numerous objective indicators (discussed in Part IV, *infra*), the existence and extent of a litigant’s right to independent judicial, as distinct from lay jury, determination of patent claim validity under 35 U.S.C. § 103 is a question of broad and general importance. Not only have two circuit courts thought the issue important enough to have it resolved through en banc decisions, but this Court previously granted certiorari on the closely related (though more narrow) issue of whether a patentee has a right to trial by jury in a civil action seeking a declaratory judgment of patent invalidity. See *Am. Airlines, Inc. v. Lockwood*, 515 U.S. 1121 (1995). That case, however, was rendered moot after the respondent patentee dropped his jury demand, see 515 U.S. 1182 (1995), *vacating* 50 F.3d 966 (Fed. Cir.).

A federal study on reform of the patent system has identified excessive reliance on juries as “a serious threat to the patent system” and has singled out the use of juries in deciding validity issues as the area generating the greatest amount of public concern. The issue has also sparked a fierce and vigorous debate among commentators, many of whom have sharply criticized the use of juries for deciding patent validity issues.

Finally, the question presented here also fits squarely within the type of matters on which this

Court has seen fit to exercise its certiorari power in Federal Circuit patent cases.

**I. THERE IS AN
ACKNOWLEDGED CIRCUIT SPLIT.**

In *Sarkisian v. Winn-Proof Corp.*, 688 F.2d 647 (9th Cir. 1982) (en banc), the court ruled that, because obviousness is a question of law, “[t]he court must, in all cases, determine obviousness as a question of law independent of the jury’s conclusion.” *Id.* at 651. The jury’s role under *Sarkisian* is limited to, at most, (i) finding predicate facts through “detailed special interrogatories,” *id.* at 650, and (ii) providing a “nonbinding advisory opinion” on obviousness that a court may use “for guidance.” *Id.* at 651.

The Federal Circuit has repeatedly acknowledged that its precedent conflicts with the Ninth Circuit’s en banc *Sarkisian* decision. In *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 895 n.5 (Fed. Cir. 1984), the Federal Circuit pointedly criticized *Sarkisian*, stating that “[t]he view suggested in *Sarkisian*, that a jury verdict on nonobviousness is at best advisory, would make charades of motions for directed verdict or JNOV under Fed.R.Civ.P. 50 in patent cases.”

Perkin-Elmer rejected the Ninth Circuit’s view that the courts must “determine nonobviousness ‘independently’ of the jury’s verdict,” *id.* at 895 (quoting *Sarkisian*), and instead held that, in reviewing a jury’s verdict on the legal issue of obviousness, the “appropriate question” to be asked by a reviewing court is: “can the jury’s *presumed findings* support [a] conclusion of nonobviousness encompassed in the jury’s *verdict of validity*?” *Id.* (emphasis added).

The Federal Circuit’s rejection of *Sarkisian* was again made clear in *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226 (Fed. Cir. 1989). In that case, the district court for the Central District of California followed the Ninth Circuit’s rule from *Sarkisian*: The district judge had used an “advisory” jury verdict on obviousness and had “independently decided” the va-

lidity questions presented in the case, including obviousness. *Id.* at 1234. Though the jury and district judge were in agreement on the outcome, the Federal Circuit went out of its way to describe the *Sarkisian* procedure as “this discredited procedure of advisory verdicts,” and specifically stated that “[i]t is established that the jury may decide the questions of anticipation and obviousness, either as separate special verdicts or en route to a verdict on the question of validity, which may also be decided by the jury.” *Id.* To support that proposition, the court set forth a long string cite exclusively devoted to Federal Circuit precedents.

Petitioners in this case specifically argued to the Federal Circuit that “the district court erred by failing to conduct its own obviousness analysis.” App. at 19a. In rejecting that argument, the Federal Circuit (consistently with its precedent) treated the jury’s verdict on the ultimate question of obviousness as *precluding* independent judicial determination of the legal issue of obviousness, and as instead requiring a reviewing court to hypothesize “implicit” factual determinations (App. at 17a) and to “assume” that the jury adopted a permissible legal rationale. App. at 20a.

Not only is this procedure inconsistent with the Ninth Circuit’s ruling in *Sarkisian*, but it purports to eliminate any requirement that valid reasoning or analysis underlie a legal determination of obviousness or nonobviousness. From the jury’s “no” answers to questions whether “the Defendants [had] proven by clear and convincing evidence that the invention . . . [was] obvious” (*see* Appendix B), it is impossible to know what process of reasoning led to that legal conclusion or to review the correctness of that reasoning.

The jurors might have found facts sufficient to render the claimed inventions legally obvious but then erred in their analysis of obviousness (which is a difficult doctrinal area of patent law). Or the jury might have found nothing to be “clear” in a weeks-

long patent trial that concluded with pages of instructions on the legal tests of obviousness. But under the Federal Circuit rule applied below, a reviewing court is said to be required to “recreat[e] the facts as they *may have been found* by the jury,” *Group One*, 407 F.3d at 1304 (quoting *McGinley*, 262 F.3d at 1351) (emphasis added), and then to apply a legal analysis that could be entirely different from whatever unstated and unknowable reasoning process might have underlain a jury’s § 103 validity analysis.

This approach—treating a jury verdict on obviousness as requiring a court to hypothesize factual determinations and legal reasoning that may (or may not) have underlain the verdict—is also plainly inconsistent with the approach of the Seventh Circuit in *Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324 (7th Cir. 1983) (en banc). There, as here, the district court had submitted the question of obviousness to a jury, and the jury had returned the answer, “We, the jury, find that the subject matter of the [patent in suit] was not obvious to one of ordinary skill in the art in the years 1963-64.” *Id.* at 1328. The district court did not treat that jury verdict as merely advisory but instead, after “compos[ing] no findings of its own,” issued judgment declaring that the patent was “good and valid in law.” *Id.* at 1329 (quoting the district court’s ruling).

The *Roberts* court condemned this procedure as “deficient in every respect” and ruled that “[t]he trial court abdicated its control over the legal issue [of obviousness].” *Id.* at 1342. Under the approach set forth in *Roberts*, jury verdicts can be given weight in obviousness analysis only if the jury has been asked to make findings on specific facts or if the trial judge has specifically instructed the jury that it must render a particular verdict “if it finds facts A, B, C, and D.” *Id.* at 1341. On this point the *Roberts* en banc court was unanimous, for even Judge Posner (who dissented as to whether the particular patent was obvious) noted that “[a]ll of us agree that the ultimate question of obviousness is for the court, not

the jury, and that the jury's role is limited to deciding subsidiary fact questions, of the who-did-what-to-whom variety." *Id.* at 1347 (Posner, J., dissenting on other grounds).

The *Roberts* court also considered, and rejected, a split panel decision from the Fifth Circuit, *Control Components, Inc. v. Valtek, Inc.*, 609 F.2d 763 (5th Cir.), *reh'g denied*, 616 F.2d 892, *cert. denied*, 449 U.S. 1022 (1980), that endorsed a jury verdict review procedure that was virtually identical to what the Federal Circuit applied in this case. In *Control Components*, the district court instructed the jurors on the law of obviousness and then submitted to them the question whether the invention "would have been obvious to one of ordinary skill in the [relevant] art." *Id.* at 766-67. The Fifth Circuit then assumed that the jury "made implicit findings on each underlying factual inquiry," *id.* at 768, and affirmed the verdict on the ground that the jury's verdict was "supported by substantial evidence." *Id.* at 769.

In a partial dissent, Judge Rubin argued that the majority's position on this point was "a step further into the Serbonian bog that threatens to engulf patent litigation." *Id.* at 774. He noted that if the jury verdict on the ultimate legal issue is deemed to include "implicit findings on non-obviousness, then the trial court cannot review either the verdict or the underlying findings unless the standard for judgment notwithstanding the verdict is used." *Id.* at 775 (quoting Gary M. Ropski, *Constitutional and Procedural Aspects of the Use of Juries in Patent Litigation*, 58 J. Pat. Off. Soc'y 609, 685 (1976)). The result would be "that validity will 'effectively become a question for the jury, not one of law for the judge.'" *Id.* (quoting Ropski, *supra*).

The split panel in *Control Components* generated a dissent from denial of *en banc* rehearing in which Judge Brown, joined by three other judges, explained:

This case is of exceptional importance because the issues it presents arise in every jury trial of a patent case. Submitting the obviousness issue to the jury for a general verdict, in the manner our previous decisions permit, appears to me to be inconsistent with the precept that “the ultimate question of patent validity is one of law.” *Graham v. John Deere Co.* . . .

616 F.2d 892, 892 (5th Cir. 1980) (quoting *Graham*, 383 U.S. at 17).

Subsequently, in a unanimous panel decision authored by Judge Brown, *Baumstimler v. Rankin*, 677 F.2d 1061 (5th Cir. 1982), the Fifth Circuit described Judge Rubin’s partial dissent in *Control Components* as “cogent and convincing” and ruled that, if the issue of obviousness were tried to a jury, the special interrogatories favored by Judge Rubin should generally be used to determine the factual predicates of obviousness. *Id.* at 1071-72. Trial judges who did not use such interrogatories, the court warned, would bear a “heavy burden of convincing the reviewing court that [they] did not abuse [their] discretion.” *Id.* at 1072. The court noted that its agreement with Judge Rubin’s position was motivated by the need to maintain “meaningful appellate review” over the legal issue of patent validity. *Id.*²

Thus, the issue presented in this petition engages a circuit split with at least two en banc regional cir-

² Though the Seventh Circuit in *Roberts* expressly disagreed with the panel majority in *Control Components*, the court noted with approval that “Judge Rubin’s viewpoint [in his partial dissent] has found favor in a subsequent Fifth Circuit decision.” *Roberts*, 723 F.2d at 1342 n.24 (citing *Baumstimler*, 677 F.2d 1061).

circuits against the Federal Circuit's position. In addition, the Fifth Circuit either has an intra-circuit split or has moved into alignment with the circuits opposing the Federal Circuit position.

Although the Federal Circuit currently has exclusive intermediate appellate jurisdiction to hear appeals from final judgments in civil actions "arising under" federal patent law, *see* 28 U.S.C. § 1295(a)(1), this Court has continued to use circuit splits to identify which Federal Circuit patent cases merit a grant of certiorari. For example, in *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55 (1998), the petitioner argued, as one reason for granting certiorari, that the Federal Circuit had diverged from the approach taken by regional circuits prior to the creation of the Federal Circuit. *See* Petition for Writ of Certiorari, *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55 (1998) (No. 97-1130), 1998 WL 34081020, at *9-*10 & n.10. This Court granted certiorari and, in its opinion, specifically noted the circuit split as one factor justifying the court's grant of certiorari. *See Pfaff*, 525 U.S. at 60. Similarly, this Court granted certiorari in *KSR* where the petition for certiorari also relied on an acknowledged circuit split between Federal Circuit and regional circuit law. *See* Petition for Writ of Certiorari, *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (No. 04-1350), 2005 WL 835463, at *20-*21.

Furthermore, in his concurrence in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002), Justice Stevens stated that circuit splits remain helpful to this Court in identifying patent cases warranting a grant of certiorari. *See id.* at 839 (noting that a "conflict in [circuit] decisions [on patent law issues] may be useful in identifying questions that merit this Court's attention"). Justice Stevens also noted that "decisions by courts with broader jurisdiction will provide an antidote to the risk that the specialized court may develop an institutional bias." *Id.* Circuit splits engaging en banc decisions of the regional circuits should be especially helpful to this Court in making certiorari decisions

because the decision to consider the issue *en banc* provides an additional indication of importance.

II. THE FEDERAL CIRCUIT'S APPROACH CONFLICTS WITH, OR IS IN DEEP TENSION WITH, THIS COURT'S PRECEDENTS ON OBVIOUSNESS.

Federal Circuit jury trial precedent is also difficult or impossible to reconcile with this Court's precedents on obviousness. For more than four decades, this Court has held that "the ultimate question of patent validity is one of law." *Graham*, 383 U.S. at 17. Moreover, in its recent *KSR* decision, this Court went beyond confirming, once again, that "[t]he ultimate judgment of obviousness is a legal determination," 550 U.S. at 427, but also stated multiple times that the obviousness analysis was to be conducted by courts or patent examiners, with no mention whatsoever of juries conducting the analysis. *See id.* at 407 ("If a court, or patent examiner, conducts this analysis and concludes the claimed subject matter was obvious, the claim is invalid under § 103."); *id.* at 420 & 421 (describing the analysis conducted by "courts and patent examiners" under the case law on obviousness).

The *KSR* Court also instructed that "[t]o facilitate review, this [obviousness] analysis should be made explicit." *Id.* at 418. Not even the most elaborate of special jury verdict forms under Federal Rule of Civil Procedure 49 can yield an "explicit" "analysis" of whether or why subject matter claimed in an issued patent should or should not be deemed "non-obvious subject matter" as a legal matter. Yet under the Federal Circuit-sanctioned procedure that was applied in this case, the entire "analysis" of obviousness can consist of a jury's "yes" or "no" answer to the legal question whether an asserted patent claim was "proven" to have encompassed "obvious" subject matter by "clear and convincing evidence." Such a black box verdict hides all analysis and substantially thwarts effective review, because no one can be sure what reasoning process led the jury to its ultimate

legal conclusion of obviousness. See Kimberly A. Moore, *Juries, Patent Cases, & a Lack of Transparency*, 39 Hous. L. Rev. 779, 791 (2002) (“the Federal Circuit presumes that all of the jury’s reasoning was correct unless there are no facts in the record that would have supported that verdict”).

Here the jury was given about seven (7) pages of instructions on the patent law of obviousness (at least one full page of which was devoted mainly to listing the pieces of prior art to be considered). While six or seven pages of complex instructions on the law of obviousness may certainly seem lengthy to jurors having no educational background in law, the instructions are themselves nothing more than a nutshell’s nutshell of the law in this area. One leading casebook on patent law devotes over 160 pages to the exposition of obviousness law. See Merges & Duffy, at 611-780. Even a leading summary of the law—one marketed merely as an introductory aid for law students—spends over twenty-five pages on obviousness law. See Janice M. Mueller, *Introduction to Patent Law* 167-194 (2006); see also *id.* at backcover (noting that the work is designed to be an “accessible” aid for “law students”). Another popular student aid spends over forty pages on the area. See Martin J. Adelman et al., *Patent Law in a Nutshell* 144-88 (2008).

Even with such books, law students are not supposed to learn patent obviousness law without engaging in significant study and without also receiving hours of classroom instruction. By contrast, under the Federal Circuit’s authorized procedure, lay jurors with no legal training whatsoever are supposed to learn patent obviousness law on the basis of less than ten pages of text and, at most, a few minutes of oral instruction by the trial judge. The jurors’ subsequent “yes” or “no” answers to legal questions are then used to hypothesize “implicit” factual findings and legal reasoning that may never, in fact, have existed. The entire procedure seems to be a polar opposite from the explicit and careful process of

legal analysis that *KSR* and this Court's earlier precedents have mandated that courts should follow in analyzing the legal issue of obviousness.

III. THE FEDERAL CIRCUIT'S APPROACH IS DIFFICULT OR IMPOSSIBLE TO RECONCILE WITH SETTLED PRINCIPLES OF ADMINISTRATIVE LAW.

As this Court has previously recognized, “[a] patent, in the last analysis, simply represents a legal conclusion reached by the Patent Office.” *See Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). The Patent Office (now renamed the Patent and Trademark Office or “PTO”) is an administrative agency that is generally subject to standard principles of administrative law. *See Dickinson v. Zurko*, 527 U.S. 150, 154 (1999). This Court has previously emphasized that, in light of “the importance of maintaining a uniform approach to judicial review of administrative action,” the Federal Circuit must review the PTO under the same standards applied to other agencies. *Id.*

In other contexts involving court actions based on a predicate administrative action, litigants are permitted to raise the invalidity of the administrative action as a defense. This Court, however, has clearly stated that the validity of the agency's action is a matter for a court's independent judgment.

The leading case, *Cox v. United States*, 332 U.S. 442 (1947), involved a criminal prosecution for violating an administrative order authorized under the Selective Training and Service Act. The defendants in the case were Jehovah's Witnesses who had already been granted conscientious objector status. Conscientious objectors were, however, required by law to serve in civilian public service camps unless they could prove that they were “ministers,” which would exempt them entirely from service. The defendants' claims to being ministers were rejected by local and appellate boards of the selective service system, and the defendants were ordered to report to public ser-

vice camps. The government criminally prosecuted the defendants after they either failed to go to camp or went to camp but then fled.

After deciding that the defendants could raise the invalidity of the administrative orders as a defense, this Court addressed whether the invalidity defense should be adjudicated by the judge or the jury. In his plurality opinion for four Justices, Justice Reed reasoned that “[t]he concept of a jury passing independently on an issue previously determined by an administrative body or reviewing the action of an administrative body is contrary to settled federal administrative practice.” *Id.* at 453 (Reed, J.) (emphasis added). Justice Reed opined that “the constitutional right to jury trial does not include the right to have a jury pass on the validity of an administrative order.” *Id.* On this point, Justice Reed’s opinion appears to speak for the Court majority, for Justice Douglas’s opinion (which was joined by Justice Black) expressly agreed with the four-Justice plurality opinion that the validity of the administrative order “is properly one of law for the Court” and “join[ed] in the opinion of the Court” on the issue. *Id.* at 455.

Nothing in *Cox* denies that judicial review of an administrative order may require some degree of factfinding. Indeed, Justice Reed specifically referred to the “analogous power of a judge as to admissibility,” *id.* at 453 n.5, which of course includes the power to find facts necessary to rule on the point of law, *see id.* (citing precedents such as *Steele v. United States*, 267 U.S. 505, 510-511 (1925) and *Ford v. United States*, 273 U.S. 593, 605 (1927), which sustained the power of courts to find facts necessary to resolve admissibility disputes); *Gila Valley, Globe & N. Ry. Co. v. Hall*, 232 U.S. 94, 103 (1914) (holding that any “question of fact” necessary for an admissibility determination is “one to be determined by the trial court, and not by the jury”).

Both of the leading commentators on administrative law from the mid-twentieth century recognized

Cox as standing for the general proposition that, in actions brought on the basis of an administrative order where the invalidity of the order is a proper defense, the court should “withhold[] from the jury the validity of the order.” Kenneth Culp Davis, *Administrative Law Treatise* § 8.16, at 597 (West 1958); see also *id.* (noting that “seven Justices” agreed on this point in *Cox*). See also Louis L. Jaffe, *Judicial Control of Administrative Action* 394 (Little Brown 1965) (explaining *Cox* to mean that, even though the “validity of an administrative order depends on certain facts,” those facts “need not be determined by a jury” because they go only to “the validity of the order,” which is reserved for the court).

The case for jury participation is much weaker in the context of determining patent obviousness than it was in *Cox*. Not only did *Cox* involve a criminal prosecution, but the party seeking the jury trial right was trying to secure *greater* scrutiny of an administrative action. Here, by contrast, the party favoring the jury trial right (the patentee) is trying to sustain an administrative action. Because the jurors are instructed that they must presume that every allowed patent claim is valid and may reach a conclusion of invalidity only if “clear and convincing evidence” supports such a conclusion, giving preclusive effect to a jury’s lay opinion on the legal issue of obviousness does not foster a firm check on governmental action by ordinary citizens but, to the contrary, tends to insulate PTO agency actions from effective judicial review.

Cox articulates a general norm applicable to judicial review of federal administrative action. The Federal Circuit’s rule conflicts with that norm. In similar circumstances, this Court has previously granted certiorari in cases to review whether the Federal Circuit’s patent jurisprudence has diverged from basic rules of law applicable in other areas.

For example, in *eBay Inc. v. MercExchange L.L.C.*, 547 U.S. 388 (2006), the Petition for Certiorari relied heavily on the divergence between the Fed-

eral Circuit’s rules for granting an injunction in patent cases and the equitable rules governing injunctions in other areas of law. *See, e.g.*, Petition for Writ of Certiorari, *eBay v. MercExchange*, 547 U.S. 388 (2006) (No. 05-130), 2005 WL 1801263, at *13-*22. This Court granted certiorari, 546 U.S. 1029 (2005), and unanimously reversed on the ground that the injunction practice in patent cases must follow “the traditional four-factor framework that governs the award of injunctive relief” generally. 547 U.S. at 394.

Similarly, in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), the Petition for Certiorari argued that the Federal Circuit’s standards for permitting a declaratory judgment action in patent disputes had diverged from the more general standards applicable to declaratory judgment actions in other areas of law. *See* Petition for Writ of Certiorari, *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007) (No. 05-608), 2005 WL 3067195 at *8-*16. The Court granted certiorari and also reversed, relying on declaratory judgment precedents from non-patent cases to overturn the Federal Circuit’s precedents on the availability of declaratory judgment jurisdiction in patent cases. *See* 549 U.S. at 126-33.

Thus, divergence between general legal principles and Federal Circuit patent law precedents has in the past provided a compelling reason to grant certiorari (and, ultimately, to reverse the Federal Circuit). In this case, the conflict between the general principle of administrative law articulated in *Cox* and the Federal Circuit rule is merely one of many reasons to grant certiorari.

IV. THE ISSUE IS IMPORTANT AND WORTHY OF THIS COURT’S ATTENTION.

Numerous objective indications demonstrate that the question presented by this Petition is an extremely important issue for the patent system.

1. *The Grant of Certiorari in Lockwood*. First, as discussed above, the issue has already provoked a

wealth of judicial opinions on the subject, including two en banc circuit court decisions, a dissent from denial of rehearing en banc in the Fifth Circuit, and a likely intra-circuit split in the Fifth Circuit. But perhaps the best gauge of importance is this Court's prior grant of certiorari in *American Airlines, Inc. v. Lockwood*, 515 U.S. 1121 (1995) (No. 94-1660).

The *Lockwood* litigation was similar to this case in many respects. After the plaintiff brought a patent infringement action, the defendant raised patent invalidity as a defense and counterclaimed for a declaratory judgment of patent invalidity (as the Petitioners here did). See *In re Lockwood*, 50 F.3d 966, 968-69 (Fed. Cir. 1995). In *Lockwood*, however, the defendant won a summary judgment of noninfringement. The issue then became whether the plaintiff-patentee had a jury trial right on the defendant's counterclaim for a declaratory judgment of patent invalidity. The district court granted a motion to strike the patentee's jury demand. On a petition for writ of mandamus, the Federal Circuit reversed and ordered the district court to hold a jury trial on the invalidity defense.

Dissenting from the denial of rehearing en banc, Judge Nies (joined by Judges Archer and Plager) argued that the "mandamus order in this case creates the type of conflict with other circuits that warrants Supreme Court review." *Id.* at 987 (Nies, J., dissenting). Judge Nies then detailed the circuit split discussed above, citing the en banc *Sarkisian* and *Roberts* decisions and the long line of contrary Federal Circuit precedents (*id.* at 987-90), and stated: "It is my understanding that the denomination of an issue as one of law represents a policy decision that a judge is more appropriate than a jury to make the decision. As a matter of policy for reasoned and uniform decisions, this is true of patent validity." *Id.* at 990.

After certiorari was granted in *Lockwood*, the patentee withdrew his jury demand and moved for dismissal of the Supreme Court case as moot. The-

reafter this Court vacated the grant of certiorari, 515 U.S. 1182 (1995). The prior grant of certiorari provides a strong indication that the allocation of decisional power between judge and jury on patent validity issues is important enough to warrant this Court's attention. Indeed, this Court granted certiorari in *Lockwood* (i) even though the Petition for Certiorari was interlocutory; (ii) even though the case involved the unusual procedural posture where the defendant had won summary judgment as to all the plaintiff-patentee's infringement claims and the counterclaim for a declaratory judgment of invalidity was all that was left to be tried; and (iii) even though the Supreme Court phase of the litigation was always susceptible to being rendered moot if the patentee withdrew his jury demand (which was in fact what ultimately happened).

The present case has none of those procedural oddities. The case arises from review of a final judgment; it involves the more typical situation where infringement and patent validity are tried together; and it is not susceptible to being rendered moot by the Respondent merely withdrawing a jury trial demand. Judge Nies was absolutely correct in 1995 that the conflict between Federal Circuit and regional circuit precedent "warrants Supreme Court review." *Lockwood*, 50 F.3d at 987.

2. *The 1992 Report to the Secretary of Commerce.* In 1992, a final report on patent law reform was issued by a special Advisory Commission convened by the Secretary of Commerce and consisting of leading representatives from U.S. businesses, universities, the patent bar, and the public at large. See *The Advisory Commission on Patent Law Reform: A Report to the Secretary of Commerce* (1992). Even by the time of this report, the Commission observed that "the proportion of jury trials has exploded to the point where between thirty and fifty percent of all patent trials employ a jury as the fact finder" and noted that this "dramatic increase in the use of juries is generating concern in the patent user community

that juries are being used to avoid the substantive merits of a patent dispute.” *Id.* at 107. (While the 30-50% jury trial rate measured in 1992 did represent an alarming explosion compared to historical rates, the rate has since risen much higher. See point 3, *infra.*)

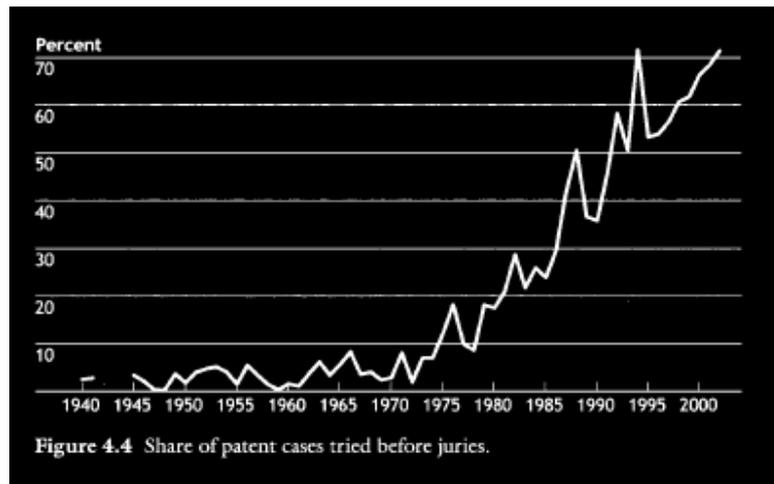
Many members of the Commission worried that “a serious threat to the patent system could be developing” as the public might come to believe the results of patent trials “are little more than a throw of the dice.” *Id.* at 109. Already, the Commission found that, “[w]ithout exception,” members of the public commenting on the subject “felt that the problems were serious, that jury trials were ‘getting out of hand,’ and that the use of jury trials should be curtailed if possible.” *Id.* at 108. Moreover, the Commission specifically found that “[m]ost of the negative comments were focused on the use of a jury to determine patent validity.” *Id.*

The Advisory Commission ultimately “hope[d] that by raising this issue, other bodies will initiate the appropriate studies and debate.” The courts in general and this Court in particular, have long played a dominant role in allocating decisional power between judges and juries. As will be shown below, debate on jury trials has now continued for years, and thus it is now an appropriate time for this Court to enter the debate.

3. *Recognition of Importance in the Academic Literature.* The secondary literature has repeatedly recognized the importance of the issue presented here and has detailed the negative consequences flowing from the Federal Circuit doctrine.

For example, Professors Jaffe and Lerner have written: “a dramatic change that has occurred on the CAFC’s watch is an increasing reliance on juries in patent trials.” Adam B. Jaffe & Josh Lerner, *Innovation and Its Discontents: How Our Broken Patent System Is Endangering Innovation and Progress* 123

(Princeton 2004). The statistics are presented in the table below:



Jaffe and Lerner further note that, even though both judges and litigants have long been skeptical of the ability of juries to decide complex patent cases rationally, “the CAFC has taken a relatively sympathetic view of juries” and “has stated that patentees have an absolute right to a jury trial on questions of patent validity.” *Id.* at 124. Jaffe and Lerner also show that the bias in favor of juries over judges produces a pronounced pro-patentee tilt to the law, as statistics demonstrate that “juries are more sympathetic to patentholders than judges.” *Id.* at 125.

The reasons are readily discernable why a pro-jury bias is also pro-patentee: The Federal Circuit has forcefully instructed trial judges (i) that they must “clearly instruct[] jurors to presume the patent is valid,” *id.*; (ii) that the presumption of validity cannot be overcome except by clear and convincing evidence; and (iii) that this “presumption is *never* annihilated, destroyed, or even weakened, regardless of what facts are of record.” *ACS Hosp. Sys., Inc. v. Montefiore Hosp.* 732 F.2d 1572, 1574-75 (Fed. Cir. 1984) (emphasis in original). Yet “the CAFC has

precluded the presentation to juries of information about the weaknesses and limitations of the patent examination process.” Jaffe & Lerner, *supra*, at 124.

Thus, while judges familiar with administrative agencies in general and the PTO in particular might be more willing to take a more realistic view of the legal presumption of validity (as this Court did in *KSR*),³ jurors may very well balk at second-guessing the action of an expert administrative agency, which comes to court clothed in a seemingly strong legal presumption of validity. Indeed, jurors may be quite rational to do so, for however faulty may be the judgment of the PTO, it might be better than that of jurors who are given seven pages of instructions and have no formal training on the patent law of obviousness. The solution to excessive juror deference to presumed administrative expertise is neither to give jurors more instructions on the foibles of administrative agencies nor to train them for a few weeks on the law of obviousness and patent validity. The solution is to recognize, as the Ninth Circuit did, that judges have the power and responsibility to review independently whether patents satisfy the statutory nonobviousness requirement.

As another commentator has recognized, the “increased use of juries and their expanded role in patent trials have clashed with a fundamental premise found in the legislation creating the Federal Circuit.” Allan N. Littman, *The Jury’s Role in Determining Key Issues in Patent Cases: Markman, Hilton Davis and Beyond*, 37 IDEA 207, 209 (1997). The legisla-

³ See *KSR*, 550 U.S. at 426 (invalidating a patent claim after noting “that the rationale underlying the presumption — that the PTO, in its expertise, has approved the claim — seems much diminished here” where the PTO had not considered the relevant prior art).

tion creating the Federal Circuit was generally thought to be needed to foster “nationwide uniformity in patent law” and to “make the rules applied in patent litigation more predictable.” *Id.* at 210 (quoting legislative history of the legislation creating the court). Yet if “the application of basic doctrines of patent law are subsumed within jury verdicts, particularly general verdicts, uniformity, predictability and doctrinal stability could easily become hollow shells within which juries could do as they wished.” *Id.*

The unpredictability introduced by jurors attempting to rule on legal issues such as obviousness is not good for the patent system. As Professor Jaffe has noted, “[h]aving decisions made by people who cannot really understand the evidence increases the uncertainty of the outcome. The combination of this uncertainty with the legal presumption of validity . . . is a big reason why accused infringers often settle rather than fight even when they think they are right.” Adam B. Jaffe, *Patent Reform: No Time Like the Present*, 4 J. L. & Pol’y for Info. Soc’y 59, 72 (2008).

The secondary literature also shows that now is an excellent time to address the issue presented in this Petition. The persistence of the circuit split here makes it extremely unlikely that the lower courts will resolve the issue. Moreover, statements in this Court’s recent *KSR* opinion have opened a vigorous debate about the continuing role of the jury in evaluating the nonobviousness of asserted patent claims. Compare Constantine L. Trela, Jr., *An Afterward to: A Panel Discussion on Obviousness in Patent Litigation: KSR International v. Teleflex*, 6 J. Marshall Rev. Intell. Prop. L. 633, 634 (2007) (asserting that the *KSR* decision suggests “that permitting the jury to decide the ultimate question of obviousness is wrong”) with William F. Lee et al., *Reflections on the Ongoing Role of Juries in Determining Obviousness in Patent Cases After the Supreme Court’s Decision in KSR*, 76 Patent, Trademark & Copyright

J. No. 1870, at 3 (BNA May 30, 2008) (arguing that “*KSR* would not seem to mandate any fundamental rethinking of the role of juries in determining obviousness”).

Although the Federal Circuit now has jurisdiction over most patent appeals, this Court has frequently reviewed Federal Circuit patent decisions that “present an issue of the allocation of power among institutional actors.” Mark D. Janis, *Patent Law in the Age of the Invisible Supreme Court*, 2001 U. Ill. L. Rev. 387, 409. Cf. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996) (holding that “the construction of a patent, including terms of art within its claim, is exclusively within the province of the court”). Such policing of institutional allocations of power is considered highly desirable even among those who otherwise advocate that this Court should “resist[] the temptation to speak directly on substantive doctrinal matters [of patent law].” Janis, *supra*, at 419.

Other commentators have also favorably remarked on this Court’s apparent willingness to grant certiorari (i) to review “the allocation of decisional power within the patent system,” John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 Sup. Ct. Rev. 273, 340; (ii) “to bring patent related jurisprudence into conformity with rules applicable in other areas,” Hon. Timothy B. Dyk, *Forward: Does the Supreme Court Still Matter?*, 57 Am. U. L. Rev. 763, 769 (2008); or more generally (iii) “to prevent patent law from ossification and to ensure that appropriate policy considerations play a role in the development of the law.” *Id.* at 763. See also John M. Golden, *The Supreme Court as “Prime Percolator”: A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. Rev. 657, 720 (2009) (arguing that Supreme Court review of patent cases is desirable “in areas where Federal Circuit decisions may have unduly ossified the law”).

This case presents all of these factors: It is a case about the allocation of decisional power; the Federal

Circuit's rule deviates from standard principles of administrative law; and the Federal Circuit's exclusive jurisdiction has led to an ossified rule that had previously been the subject of intensive en banc scrutiny by the regional circuit courts.

The question presented by this Petition has generated a pitched and vigorous debate that is now fully joined. It is ripe for a decision by this Court.

CONCLUSION

For the reasons set forth above, this Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

James W. Dabney
Counsel of Record
FRIED, FRANK, HARRIS,
SHRIVER & JACOBSON LLP
One New York Plaza
New York, New York 10004
(212) 859-8000

John F. Duffy
Stephen S. Rabinowitz
Henry C. Lebowitz

Of Counsel

Attorneys for Petitioners