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**Who's Your Daddy?  
A Psychoanalytic Exegesis of the Supreme Court's Recent  
Patent Jurisprudence**

*Gretchen S. Sween*



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# Who's Your Daddy? A Psychoanalytic Exegesis of the Supreme Court's Recent Patent Jurisprudence

By Gretchen S. Sween, Ph.D., J.D.\*

. . . my sons, who should as sons have helped,  
Did nothing: and, one little word from them  
Was all I needed, and they spoke no word,  
But let me wander on for evermore,  
A banished man, a beggar. These two maids  
Their sisters, girls, gave all their sex could give,  
Food and safe harborage and filial care;  
While their two brethren sacrificed their sire  
For lust of power and sceptred sovereignty.  
No! me they ne'er shall win for an ally . . . .

Sophocles, Oedipus at Colonus

## I. INTRODUCTION

¶1 Since the Bush administration took office in 2001, the U.S. Supreme Court has granted *certiorari* in and decided a dozen patent cases.<sup>1</sup> Considering the Supreme Court's pronounced ideological divide, its consistency during this unprecedented incursion into patent law is even more extraordinary. In each instance it has either reversed, vacated, and/or remanded the decisions of the U.S. Court of Appeals for the Federal Circuit in unanimous or nearly unanimous opinions.<sup>2</sup> Moreover, the net result of the Supreme Court's flurry of reversals has been to constrain, rather than expand, patent holders' rights. And the Supreme Court's rhetoric in formulating its patent decisions has

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\* Intellectual Property Litigation Associate, Dechert LLP, Austin, TX; J.D., The University of Texas School of Law; Ph.D. in Humanities, The University of Texas at Dallas. The views set forth herein are the personal views of the author and do not necessarily reflect those of Dechert LLP or any of its current and future clients.

<sup>1</sup> See discussion at Section II, *infra*. Because the Supreme Court's overall docket has *decreased* dramatically in the past twenty years, the raw percentage of patent cases on the Court's docket underscores even more the degree to which the Supreme Court's interest in patent cases has increased in recent years. For instance, during the 2007–2008 term, the Supreme Court heard only 72 cases, as opposed to an average of 140 cases per term in the 1980s. Thus, the fact that the Supreme Court heard even *one* patent case that term is significant—especially since the Court had heard an unprecedented *three* patent cases in the 2006–2007 term.

<sup>2</sup> Before 2001, the Supreme Court reversed the Federal Circuit at a rate similar to its general reversal rate (approximately 50%), which is considerably lower than its reversal rate of the Ninth Circuit. John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 SUP. CT. REV. 273, 282 (2002).

become increasingly disdainful of the Federal Circuit, a specialized court toward which the Supreme Court had historically been quite deferential.

¶2 What message is the Supreme Court sending—and is it the same message that the Federal Circuit is receiving?

¶3 At a June 2008 meeting of the Austin Intellectual Property Law Association (“IPLA”),<sup>3</sup> United States District Court Judge for the Western District of Texas, Austin Division, the Honorable Lee Yeakel, suggested that he sees coherence in the Supreme Court’s recent patent cases. The Judge’s sound observation went something like this: “If you are wondering what the Supreme Court is doing with all of these patent cases, it seems to me that the Court is telling the Federal Circuit that patent cases are no different from any other.” The Supreme Court’s recent patent jurisprudence does indeed reveal a preference for broad, general principles, while rejecting nuances developed by the Federal Circuit over the last fifteen years. But does this trend thoroughly explain the Court’s resurgent interest in a doctrinal area that many consider to be profoundly abstruse, difficult, and disembodied? And is this trend a “good” one? Is it “fair” to the patent holders, accused infringers, practitioners, and the specialized court that has been deeply immersed in these nuances for years? Is the Supreme Court’s commitment to curbing the Federal Circuit’s perceived overreaching affected by a perception that patent cases have been afforded an unfair patina and an unfair share of judicial resources based on their purported difficulty or that patent “trolls” have unfairly accumulated excessive booty at the expense of an efficient and vibrant market for technological innovation? Was it fair for Justice Scalia to characterize the Eastern District of Texas, which now has the busiest patent docket in the nation, as a “renegade jurisdiction” for its perceived role in the current patent litigation boom?<sup>4</sup> Was it fair for the Eastern District of Texas, led by Judge T. John Ward, to craft local patent rules that transformed that district into the busiest patent docket in the nation?<sup>5</sup> Is it fair that the Northern and Southern Districts of Texas, in an effort to attract more patent suits to their own dockets, have followed suit?<sup>6</sup> Conversely, is it fair that patent cases have, in the past, tended to languish unless individual courts took a particular interest in seeing them resolved? Is it fair to assume that what may be a reasonable approach to case management will likewise be a fair way to approach the concepts underpinning patent disputes?<sup>7</sup> And what does “fair” mean anyway?

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<sup>3</sup> The meeting was held on June 17, 2008 at the Westwood Country Club in Austin, Texas.

<sup>4</sup> Justice Scalia made this comment during oral arguments in *eBay*. See Transcript of Oral Argument at 9, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130), 2006 WL 846236 (argued Mar. 29, 2006).

<sup>5</sup> See, e.g., Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. TIMES, Sept. 24, 2006, at C1; Nate Raymond, *Taming Texas*, AM. LAW., Mar. 2008, at 100 (exploring how Marshall, Texas, with a population of about 24,000 and no high-tech industry to speak of, became the preferred venue for patent holders to file complex, multimillion-dollar, infringement suits).

<sup>6</sup> See Gretchen Sween, *Living the Rules: The Honorable Judge Sim Lake*, ST. BAR LITIG. SEC., NEWS FOR THE BAR (Texas), Spring 2008, at 20, available at [http://litigationsection.com/downloads/News\\_for\\_the\\_Bar\\_Spring08.pdf](http://litigationsection.com/downloads/News_for_the_Bar_Spring08.pdf); Gretchen Sween, *A View from the Bench: A Conversation with the Honorable Judge Barbara M.G. Lynn*, ST. BAR LITIG. SEC., NEWS FOR THE BAR (Texas), Fall 2007, at 10–11, available at [http://litigationsection.com/downloads/News%20for%20the%20Bar\\_Fall%2007.pdf](http://litigationsection.com/downloads/News%20for%20the%20Bar_Fall%2007.pdf) (discussing, respectively, the decisions of the Southern and the Northern Districts of Texas to adopt local patent rules).

<sup>7</sup> Judge Yeakel and his colleague, the Honorable Sam Sparks, in Texas’s Western District have decided *not* to adopt special patent-specific local rules. Judge Yeakel has explained this decision by stating that he

¶4 This article provides no definitive answers. Instead, it merely holds a mirror up to the Supreme Court's recent patent-law holdings and the rhetoric through which those holdings have been conveyed. The view in the mirror suggests that something more primal, and less jurisprudential or even political, may account for the Court's phenomenal consistency in this doctrinal area of the law.

## II. SURVEYING THE SUPREME COURT'S RECENT PATENT CASES

¶5 Recognizing the intricacies associated with intellectual property law, Congress in 1982 established the Federal Circuit and tasked this specialized court with harmonizing the law related to patents.<sup>8</sup> The Federal Circuit, whose exclusive appellate jurisdiction includes, but is not limited to, all patent claims, is the only Article III appellate court whose jurisdiction is based on subject matter, not geography. After the Court's tenth anniversary, commentators seemed to agree that the Federal Circuit had brought uniformity to patent law and had ended a type of forum-shopping, since all roads were leading to Rome and circuit splits could not exist.<sup>9</sup> Thus, as John M. Golden, assistant professor at The University of Texas School of Law has observed, when the Supreme Court reverses the Federal Circuit, the Supreme Court is not resolving inter-court conflicts, but is instead replacing the Federal Circuit's resolutions with the Supreme Court's own alternatives.<sup>10</sup> Although the Supreme Court does not pretend to have special expertise in substantive patent law, during the last six years—beginning with *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*,<sup>11</sup> decided on May 28, 2002, and culminating, for now, in *Quanta Computers, Inc. v. LG Electronics, Inc.*,<sup>12</sup> decided on June 9, 2008—the Court has been remarkably consistent in its patent opinions. Several of the Court's key patent cases, which reflect an increasing sense of urgency about showing the specialized court who is boss, are surveyed below.

### A. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*

¶6 In *Festo*, the unanimous Court addressed the relationship between the “doctrine of equivalents” and “prosecution history estoppel,” concluding that the latter patent-specific affirmative defense was really just a variation on the broader estoppel doctrine that precludes a party from taking a position that contradicts a previous position that it has

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and Judge Sparks do not believe that “it is fair” to treat patent cases “any differently” from other kinds of civil lawsuits—or to assume that all patent cases are best managed in a uniform fashion. Thus, Judge Yeakel's view of the pattern in the Supreme Court's recent patent decisions and his decision not to adopt patent-specific rules align. *See supra*, note 3.

<sup>8</sup> See the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982) (effective Oct. 1, 1982), which established the Federal Circuit by merging the U.S. Court of Customs and Patent Appeals and the appellate division of the U.S. Court of Claims.

<sup>9</sup> See, e.g., W.L. Hansen et al., *Specialized Courts, Bureaucratic Agencies, and the Politics of U.S. Trade Policy*, 39 AM. J. POL. SCI. 529 (1995); RICHARD A. POSNER, *THE FEDERAL COURTS: CHALLENGE AND REFORM* 253 (1996).

<sup>10</sup> Professor Golden spoke about this at the George Washington University Law School on September 10, 2008. See John M. Golden, *The Supreme Court as 'Prime Percolator': A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. (forthcoming 2009).

<sup>11</sup> 535 U.S. 722 (2002).

<sup>12</sup> 128 S. Ct. 2109 (2008).

taken.<sup>13</sup> Having concluded that prosecution history estoppel is *not* something special, the Supreme Court rejected the Federal Circuit’s patent-case-specific *per se* rule and replaced it with a “flexible bar rule” deemed more “consistent with our precedent”—even as the Supreme Court admitted that it had never before “weighed the merits” of these two approaches in any previous case.<sup>14</sup> Instead of a comparative analysis, the Court invoked nineteenth-century Supreme Court cases in which the doctrine had been formulated; it then directed courts to “balance” the arguments for prosecution history estoppel against the overall equities of the inventor’s conduct during prosecution.<sup>15</sup> Seemingly, the Supreme Court did not believe that any intervening developments justified the Federal Circuit’s decision to modify the Supreme Court’s (very) old approach.

*B. Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*

17 Similarly, with *Holmes Group*, the Supreme Court concluded that “arising under” jurisdiction and the well-pleaded complaint rule should apply no differently in patent cases than it had “long governed” all other cases.<sup>16</sup> In his opinion for the Court, Justice Scalia cites a 1913 Supreme Court case for the proposition that determining whether a case arises under patent law “cannot depend upon the [defendant’s] answer.”<sup>17</sup> Thus, the Court reasoned, surely a counterclaim cannot serve as the basis for jurisdiction as it “contravene[s] the longstanding policies underlying our precedents” and would, by analogy, “radically expand the class of removable cases” and “undermine” the “quick rule of thumb” that “the longstanding well-pleaded-complaint rule” provides.<sup>18</sup> The decision stripped the Federal Circuit of some of its exclusive jurisdiction, which it had defined as including *any* case with a patent law question—including actions where the patent claim was a request for declaratory relief based on patent infringement brought in response to non-patent claims.

*C. Unitherm Food Sys., Inc. v. Swift-Eckrich, Inc.*

18 Then, in *Unitherm*, the Court again reversed the Federal Circuit by emphasizing how “our cases” “compel a contrary result” to the one reached by the Federal Circuit.<sup>19</sup> The Federal Circuit had decided to review the sufficiency of the evidence presented during trial of a *Walker Process* claim,<sup>20</sup> whereby the accused infringer alleged that a patentee had violated federal antitrust law by seeking to enforce a patent that had been obtained by defrauding the PTO. The Federal Circuit reviewed the evidence even though the party that had lost its Rule 50(a) motion for judgment as a matter of law, and then lost at trial, had not filed a Rule 50(b) renewed motion for judgment as a matter of law (notwithstanding the verdict) or, alternatively, a motion for a new trial.

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<sup>13</sup> 535 U.S. 722.

<sup>14</sup> *Id.* at 738.

<sup>15</sup> *Id.* at 739.

<sup>16</sup> 535 U.S. 826, 830 (2002).

<sup>17</sup> *Id.* at 831 (citing *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913)).

<sup>18</sup> *Id.*

<sup>19</sup> 546 U.S. 394, 396 (2006).

<sup>20</sup> A “*Walker Process* claim,” named for a claim pursued in *Walker Process Equipment Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965), is an affirmative claim brought against a patentee who has reputedly procured a patent by fraud and engaged in illicit conduct actionable under the antitrust laws.

¶9

On one hand, the *Unitherm* decision is only noteworthy in being particularly unworthy of note. On the other hand, because the Court elected to take up such a seemingly prosaic issue, the opinion provides a stark example of the current Supreme Court's keen sensitivity to all things emanating from the Federal Circuit. *Unitherm* first notes that the Federal Circuit had failed to follow binding regional circuit law, which required that a motion for a new trial be filed in the trial court before the sufficiency of the evidence could be reviewed on appeal.<sup>21</sup> After chiding the Federal Circuit for having "freed" itself from governing authority, the opinion devotes over a page to the full text of Rule 50 and then several pages to noting that the Supreme Court had, "on several occasions," itself made clear that a post-trial Rule 50(b) motion is a procedural imperative—citing to the "straightforward language employed" in several dusty Supreme Court cases from 1947, 1948, and 1952 that "unequivocally establish" that motions under both Rules 50(a) and 50(b) must be made and denied before a reviewing court can presume to weigh the evidence.<sup>22</sup> Since the appellant had not formally renewed its motion under Rule 50(b) before the trial court, the Federal Circuit should have been as "powerless" as the district court was to grant a new trial.<sup>23</sup> Thus, the Supreme Court maintained, just because one is litigating a patent case does not free that litigant from the obligation to comply with this particular procedural hurdle.

*D. Illinois Tool Works Inc. v. Independent Ink, Inc.*

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*Illinois Tool*<sup>24</sup> operates as a bit of an exception to the recent trend, thereby proving the rule regarding the trajectory and tone of the Supreme Court's recent patent jurisprudence.<sup>25</sup> In this case, a unanimous Court vacated the Federal Circuit's opinion, concluding that "the presumption of market power in a patented product" should *not*

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<sup>21</sup> *Unitherm*, 546 U.S. at 398–99.

<sup>22</sup> *Id.* at 398–401.

<sup>23</sup> *Id.* at 404.

<sup>24</sup> 547 U.S. 28 (2006).

<sup>25</sup> Similarly, *Merck KGAA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193 (2005), serves as an exception that nevertheless proves the rule. In *Merck*, the Supreme Court vacated the Federal Circuit's decision and remanded for further proceedings—as per the trend described here. But the issue in the case simply did not allow for the kind of condemnatory tone evident in several of the Supreme Court's recent patent-law opinions. *Merck* involved the proper interpretation of a relatively recent statutory exemption to the long-standing definition of patent infringement embodied in 35 U.S.C. § 271(a). Thus, the Court had no basis to harangue the Federal Circuit for failing to follow an older Supreme Court precedent—although, in explaining its decision to reverse, the Court did invoke *Eli Lilly & Co. v. Medtronic, Inc.*, 496 U.S. 661 (1990). But the Court in *Eli Lilly* had merely declined to limit the infringement exemption to submissions under particular statutory provisions that regulate drugs, whereas *Merck* addressed the specific issue "whether uses of patented inventions in preclinical research, the results of which are not ultimately included in a submission to the Food and Drug Administration (FDA), are exempted from infringement by 35 U.S.C. § 271(e)(1)." 545 U.S. at 195. The Federal Circuit had found that the section 271(e)(1) safe-harbor provision did *not* apply to the accused infringer because the testing in question was not clinical testing whose results would be supplied to the FDA; rather, the Federal Circuit had reasoned, the testing had involved "general biomedical research to identify new pharmaceutical compounds." *Id.* at 201 (quoting *Integra Lifesciences I, Ltd. v. Merck KGAA*, 331 F.3d 860, 866 (Fed. Cir. 2003)). The Supreme Court concluded that the Federal Court's reading of the statutory exception was overly narrow and that the statutory exemption should instead be understood to encompass "all uses of patented inventions that are reasonably related to the development and submission of *any* information under the FDCA." *Id.* (emphasis retained). The Court then remanded the case for a sufficiency-of-the-evidence review based on the "proper construction of § 271(e)(1)" that the Court had just adopted. *Id.* at 208. The net result of the decision, as with all others discussed here, was to narrow the rights of patent holders.

“survive as a matter of *antitrust* law,” since, due to an act of Congress, that presumption had already met its demise in *patent* law.<sup>26</sup> The Court’s holding rests expressly on the conclusion that the legitimacy of tying arrangements should not be affected simply because “a tying product is patented.”<sup>27</sup> In this respect, the opinion reflects the trend described here. What is markedly different is the Court’s gentle tone.

¶11 In reversing the Federal Circuit, the Court had no cause to chastise the Federal Circuit for blazing new territory because, as the Supreme Court notes, the Federal Circuit had made “a careful review of the ‘long history of Supreme Court consideration of the legality of tying arrangements’” and had then placed “special reliance” on seminal Supreme Court antitrust decisions from the 1940s.<sup>28</sup> Indeed, *Illinois Tool* repeatedly quotes with approval the Federal Circuit’s deferential statements regarding its “duty . . . to follow the precedents of the Supreme Court until the Court itself chooses to expressly overrule them.”<sup>29</sup> One could hardly ask for more humility from a subordinate. Accordingly, in *Illinois Tool*, the Court was able to proceed magnanimously, pursuing in measured terms “a fresh examination of the history of both the judicial and legislative appraisals of tying arrangements” and ultimately bringing the rules for proving a tying claim involving a patented product in line with modern dictates for all other cases involving such arrangements.<sup>30</sup>

#### *E. eBay, Inc. v. MercExchange L.L.C.*

¶12 *eBay*<sup>31</sup> stands in stark contrast to *Illinois Tool*. With *eBay*, the Court pointedly rejected the Federal Circuit’s established position regarding injunctions, holding unanimously that an injunction should not automatically issue upon a finding of patent infringement as per the standard interpretation of key patent statutes.<sup>32</sup> Instead, the Supreme Court directed district courts to weigh the same four factors *traditionally* used to determine whether an injunction is warranted.

¶13 In retrospect, it is telling that the Supreme Court’s order granting the writ of *certiorari* in *eBay* directed the parties to brief the following issue: “*Whether this Court should reconsider its precedents, including Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405 (1908) . . . ?*”<sup>33</sup> *Continental Paper Bag* did not play any meaningful role in the briefing presented to the Court in arguing for or against granting *certiorari*; rather, the Supreme Court’s decision to underscore the existence of this 100-year old Supreme Court case in its order telegraphs its perception that the Federal Circuit had ignored (what should have been binding) precedent. In any event, the *eBay* petitioner

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<sup>26</sup> 547 U.S. at 31 (emphasis added).

<sup>27</sup> *Id.*

<sup>28</sup> *Id.* at 32–33.

<sup>29</sup> *Id.* at 33.

<sup>30</sup> *Id.*

<sup>31</sup> 547 U.S. 388 (2006).

<sup>32</sup> *See, e.g.*, 35 U.S.C. § 154(a)(1) (2002) (“Every patent shall contain . . . a grant to the patentee . . . of the right to exclude others from making, using, offering for sale, or selling the invention . . . .”); 35 U.S.C. § 283 (“The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”).

<sup>33</sup> *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), *cert. granted*, 546 U.S. 1029 (U.S. Nov. 28, 2005) (No. 05-130) (emphasis added).

and many *amici* who urged the Court to hear the appeal effectively characterized the case so as to arouse the Court's ire against the Federal Circuit and the latter's view that proving infringement created a virtually irrebuttable presumption that an injunction would issue.<sup>34</sup> And the strategy worked.

¶14 The text of the Court's *eBay* opinion begins with the word "Ordinarily."<sup>35</sup> Indeed, the decision regarding how to secure an injunction is based entirely on the understanding of what is "ordinarily" done—under "well-established," "familiar," and "traditional equitable considerations" embodied in several Supreme Court cases cited in the majority opinion.<sup>36</sup> That is, the Court made its decision to smack down the Federal Circuit's decision to reverse the district court's initial denial of a permanent injunction, because the Federal Circuit had not undertaken the "ordinary" analysis, but had instead applied a rule that the Federal Circuit itself had developed in patent cases, which *eBay* characterizes as "a major" and unjustified "departure" from the ordinary.<sup>37</sup> The Court pointedly explains that the Federal Circuit's error is its "categorical" assertion that, once infringement and validity are found in the patent holder's favor, *denying* permanent injunctions is "unusual," "exceptional," and "rare;" that is, the Federal Circuit's perception that patent cases are a breed apart is, according to *eBay*, the very linchpin of the lower court's error.<sup>38</sup>

¶15 Some Justices even felt moved to scold the Federal Circuit for failing to see that doling out injunctions to prevailing patentees encourages some firms to seek patents (and the bargaining chip associated with the threat of an injunction) "not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees."<sup>39</sup> This particular reprimand is intriguing since it is the U.S. Constitution that affords patentees the exclusive right to obtain licensing fees from those who would use the patentee's invention; and because it is a monopoly right, a patent holder can lawfully refrain from offering anyone a license or from producing any goods embodying that patent.<sup>40</sup> As the

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<sup>34</sup> See, e.g., Brief of America Online, Inc. et al. as Amici Curiae Supporting Petitioner, *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (No. 05-130) (arguing that "[t]he Federal Circuit's decision to require injunctions virtually automatically upon a finding of patent infringement departs radically from the traditional standard governing injunctive relief").

<sup>35</sup> *eBay*, 547 U.S. at 390.

<sup>36</sup> *Id.* at 391–92.

<sup>37</sup> *Id.*

<sup>38</sup> *Id.* at 393–94.

<sup>39</sup> *Id.* at 396 (Kennedy, Stevens, Souter, and Breyer, JJ., concurring).

<sup>40</sup> See 35 U.S.C. § 271(d) (2006) (the patent statute makes clear that it is neither "misuse" nor an "illegal extension of the patent right" for a patentee to "refuse[] to license or use any rights to the patent"); see also *In re Indep. Serv. Orgs. Antitrust Litig.*, 203 F.3d 1322, 1326 (Fed. Cir. 2000) ("There is 'no reported case in which a court has imposed antitrust liability for a unilateral refusal to sell or license a patent.'") (citation omitted); *Intergraph Corp. v. Intel Corp.*, 195 F.3d 1346, 1362 (Fed. Cir. 1999) ("[T]he antitrust laws do not negate the patentee's right to exclude others from patent property."); *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195 (2d Cir. 1981) (holding that there is no liability arising from a patentee's refusal to license its patents); *Applera Corp. v. MJ Research Inc.*, 389 F. Supp. 2d 344, 354 (D. Conn. 2005) ("A patent owner is not required either to sell licenses for use of its patents or to permit others to act as its agent for licensing end users.") (citation omitted); *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 166 F. Supp. 2d 740, 748 (E.D.N.Y. 2001) ("Defendants correctly point out that patent holders have no duty to grant licenses, and that Bayer's failure to grant a license therefore can not form the basis of a cause of action under any state's antitrust laws.") (citation omitted); but see U.S. DEP'T OF JUSTICE AND FED. TRADE COMM'N, ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS: PROMOTING INNOVATION AND COMPETITION 30–31 & nn.110–115 (2007) ("[T]here are numerous imaginable scenarios that involve conduct that goes beyond a mere refusal to license a patent and could give rise to antitrust liability. . . . Conduct going beyond a mere

Supreme Court itself observed over forty years ago, “[a] patent empowers the owner to exact royalties as high as he can negotiate with the leverage of that monopoly.”<sup>41</sup> Apparently, several Justices, whose ideological inclinations run the gamut, had been so affronted by the Federal Circuit’s efforts to protect those who would obtain licensing fees under their patents that they lost sight of the Court’s own historic understanding that a patent monopoly is *not* conditioned on the promise that the patentee will produce and/or sell goods. Instead, that monopoly is a function of the Framers’ express directive that Congress pass laws “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the *exclusive* Right to their respective Writings and Discoveries.”<sup>42</sup>

#### F. *MedImmune, Inc. v. Genentech, Inc.*

¶16 In *MedImmune*, with Justice Thomas as the lone dissenter, the Supreme Court reversed the Federal Circuit’s dismissal of a declaratory judgment action for lack of subject-matter jurisdiction.<sup>43</sup> The Federal Circuit had required that, before seeking declaratory relief under the patent laws, a party must have actually breached the operative license agreement before filing suit. But the Supreme Court decided that the Federal Circuit had dismissed the case based on an improper premise derived by ignoring an old Supreme Court decision that the current Supreme Court felt was directly on point.

¶17 The facts relevant to *MedImmune* are fairly straightforward. The parties had entered into a license agreement whereby Genentech had granted MedImmune the right to make, use, and sell an antibody that the agreement stated was covered by an issued patent and a pending patent application. Despite the agreement that it had signed and its decision to continue paying royalties under the agreement that it then sought to invalidate, MedImmune filed a declaratory judgment action, contending that its accused product did not infringe any valid Genentech patent claim. The district court held, and the Federal Circuit affirmed, that dismissing the declaratory judgment claims was required by the Federal Circuit decision in *Gene-Probe Inc. v. Vysis, Inc.*,<sup>44</sup> which stands for the proposition that a licensee, having executed a license agreement, has no standing to challenge the validity, enforceability, or scope of a patent.<sup>45</sup>

¶18 In deciding *MedImmune*, the Supreme Court rejected the rule that the Federal Circuit had announced (not long before) in *Gene-Probe*, which had in turn controlled *MedImmune* below. The Supreme Court explained that, in deciding *Gene-Probe*, the Federal Circuit had imposed an inordinately narrow interpretation on a (much older) Supreme Court case, *Altvater v. Freeman*,<sup>46</sup> which, the Court held, should have dictated a different result in *Gene-Probe*. Importantly, in deciding *Gene-Probe*, the Federal Circuit

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refusal thus may merit scrutiny under the antitrust laws. As noted above, the terms of a license agreement are subject to section 1 of the Sherman Act, which ‘reaches unreasonable restraints of trade effected by a contract, combination . . . or conspiracy.’”)

<sup>41</sup> *Brulotte v. Thys Co.*, 379 U.S. 29, 33 (1964) (finding that post-expiration royalties were nothing less than an effort by the patentee to extend the term of his monopoly beyond that granted by law).

<sup>42</sup> U.S. CONST. art. I, § 8, cl. 8 (emphasis added).

<sup>43</sup> 549 U.S. 118 (2007).

<sup>44</sup> 359 F.3d 1376 (Fed. Cir. 2004).

<sup>45</sup> *Id.* at 1381.

<sup>46</sup> 319 U.S. 359 (1943).

had expressly distinguished *Altvater*, finding the threat of a *government* sanction to be the dispositive fact in *Altvater*. But the Supreme Court dismissed as specious the distinction between the threat of suit brought by the government instead of a private actor and held that an accused infringer need not “risk treble damages and the loss of 80 percent of its business, before seeking a declaration of its actively contested legal rights.”<sup>47</sup> Moreover, the Court insisted that paying royalties under a license agreement did not imply a promise *not* to challenge the patents covered by that agreement. The Court reasoned that there should not be, and therefore is not, a legitimate difference between the litigant who fails to break the law when facing the threat of governmental action and the litigant who fails to breach a private contract for fear of risking an infringement suit (and the possibility of treble damages and an injunction).

¶19 But the opinion disregards a critical question: Does it make economic or ethical sense to execute a license agreement, wherein one agrees to pay royalties based on the existence of certain intellectual property, and then to challenge the very basis for one’s commitment to pay those royalties, i.e., the existence of presumptively valid, enforceable patents by declaring war on those patents? Instead, the Supreme Court focused, once again, on the Federal Circuit’s reliance on its own rule rather than on the Supreme Court’s older precedent. Justice Scalia’s opinion for the Court even notes that the district court, convinced that it was bound by the Federal Circuit’s *Gene-Probe* rule, dismissed the case “despite its ‘serious misgivings’” about that rule.<sup>48</sup> Thus, in reversing the Federal Circuit, Justice Scalia managed to shame the son by praising the grandson’s superior sense of deference. Ironically, he did so by noting the grandson’s public critique of the very father to whom the grandson had ostensibly deferred.

#### G. *KSR International Co. v. Teleflex Inc.*

¶20 *KSR*,<sup>49</sup> another unanimous Supreme Court decision, addresses the proper test for ascertaining “obviousness” sufficient to invalidate a patent under 35 U.S.C. § 103. The decision’s net result is to make obviousness easier to prove by weakening the requirement of an express “suggestion to combine” particular prior art references.<sup>50</sup> More specifically, the case addressed whether *KSR* had been entitled to summary judgment based on the contention that the inventor had merely added an element to an extant design to create a variation on an adjustable automobile pedal in a way that would have been obvious to one of ordinary skill in the relevant art. The Supreme Court reversed the Federal Circuit—which had reversed the district court. And the Supreme Court’s reversal again relied on the invocation of an older standard, embodied in an older Supreme Court case, *Graham v. John Deere Co.*,<sup>51</sup> which the Court believed that the Federal Circuit had (inappropriately) supplanted.

¶21 The Federal Circuit had reversed the grant of summary judgment in favor of *KSR* after applying its “teaching, suggestion, or motivation” or “TSM” test to analyze the lone

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<sup>47</sup> *MedImmune*, 549 U.S. at 133.

<sup>48</sup> *Id.* at 135.

<sup>49</sup> 127 S. Ct. 1727 (2007).

<sup>50</sup> *Id.* at 1734.

<sup>51</sup> 383 U.S. 1, 17–18 (1966).

claim that Teleflex was asserting against KSR.<sup>52</sup> The Federal Circuit’s (more recently crafted) test required proof that “some motivation or suggestion to combine the prior art teachings” existed in the prior art itself, in the nature of the problem, or in the body of knowledge available to a person ordinarily skilled in the art.<sup>53</sup> During oral argument, Justice Scalia derided the Federal Circuit’s TSM test as “irrational” “gobbledygook;” and Chief Justice Roberts added that the test’s only value seemed to be to enhance the patent bar’s profitability.<sup>54</sup> The Court’s opinion denigrates the TSM test as “contrary to § 103 and our precedents,” “rigid,” and a confining, “formalistic conception” with an “overemphasis on the importance of published articles and the explicit content of issued patents.”<sup>55</sup> By contrast, the Court describes the analytical methodology embodied in *Graham* and “our [other] cases” as “an expansive and flexible approach” and a “functional approach.”<sup>56</sup> Indeed, *KSR* repeatedly notes that the “correct analysis” is found in “earlier instructions” announced “over a half century” before.<sup>57</sup> Thus, the Supreme Court’s displeasure palpably thunders—insisting that “our precedents make clear” that “[u]nder the *correct* analysis, any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.”<sup>58</sup>

¶22 *KSR*’s subtext appears to be that the Court simply does not believe that it is fair to give someone a patent on an invention that any old person could see was an obvious next step—thus, the “correct analysis” for judging obviousness, the Court seems to say, is little more than an intuitive thing.<sup>59</sup> At least a court “need not seek out *precise* teachings directed to the *specific* subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.”<sup>60</sup> As a corollary, the Court implies that the Federal Circuit’s approach had been unduly liberal and elitist in its insistence that the germane prior art be scrutinized for evidence of some “teaching, suggestion, or motivation” as a prelude to an obviousness analysis. Indeed, the Court’s understanding of a “person of ordinary skill in the art” in *KSR* is more akin to the generic “ordinary person” that is employed as a standard in other doctrinal areas—as when assessing the “duty of care” under tort law.

#### H. *Microsoft Corp. v. AT&T Corp.*

¶23 The *Microsoft* opinion issued the same day as *KSR*.<sup>61</sup> While *Microsoft* does not contain the same reproachful tone evidenced in *KSR*, the basic architecture of the holding is the same: The Federal Circuit erred in reaching its patent-holder-protective conclusion, and that conclusion was out of joint with an older Supreme Court decision regarding the

<sup>52</sup> *Teleflex, Inc. v. KSR Int’l Co.*, 119 Fed. Appx. 282 (Fed. Cir. 2005).

<sup>53</sup> *See Al-Site Corp. v. VSI Int’l, Inc.*, 174 F.3d 1308, 1323–24 (Fed. Cir. 1999).

<sup>54</sup> *See* Transcript of Oral Argument, *KSR Int’l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727 (2007) (No. 04-1350), 2006 WL 3422210 (argued Nov. 28, 2006).

<sup>55</sup> 127 S. Ct. at 1739.

<sup>56</sup> *Id.* at 1731, 1739.

<sup>57</sup> *Id.* at 1739, 1742.

<sup>58</sup> *Id.* at 1741–42 (emphasis added).

<sup>59</sup> *See id.* at 1742.

<sup>60</sup> *Id.* at 1741 (emphasis added).

<sup>61</sup> *Microsoft Corp. v. AT&T Corp.*, 127 S. Ct. 1746 (2007).

basic principle underlying the case. The Court tersely summarizes both the issue and its conclusion at the outset: “Does Microsoft’s liability extend to computers made in another country when loaded with Windows software copied abroad from a master disk or electronic transmission dispatched by Microsoft from the United States? Our answer is ‘No.’”<sup>62</sup>

¶24 Next, the substantive portion of Justice Ginsburg’s opinion for the nearly-unanimous<sup>63</sup> Court provides an extended discussion of a 35-year-old Supreme Court case, *Deepsouth Packing Co. v. Laitram Corp.*,<sup>64</sup> that had actually prompted Congress to enact section 271(f)—the statutory provision at issue in the *Microsoft* case.<sup>65</sup> According to the current Court, in deciding *Deepsouth* back in 1972, the Supreme Court had simply interpreted “our patent law as then written,” commenting “that it was ‘not an infringement to make or use a patented product outside of the United States’”—even though the accused infringer had willfully assembled and used the accused machine outside of the United States, so as to circumvent U.S. patent law and then imported the product that resulted from the extraterritorial use of the infringing machine.<sup>66</sup> Indeed, the *Microsoft* opinion acknowledges unapologetically that section 271(f)(1) was “specifically intended . . . as a response to” *Deepsouth* and explains that the new provision had indeed expanded “the definition of infringement to include supplying from the United States a patented invention’s components.”<sup>67</sup> Thus, the Court clarifies that *Deepsouth* was part of a dialectical process whereby the Supreme Court had, in its view, simply applied patent law “as written;” Congress, not liking the results, had then rewritten the law. Now, in *Microsoft*, the Court was being asked to interpret the amended law—but would again “resist” giving the new statutory language “an expansive interpretation.”<sup>68</sup> The Court justifies its restraint by reminding that section 271(f) constitutes an exception to the “general rule” that U.S. patent law does not apply beyond the United States: “The presumption that United States law governs domestically but does not rule the world applies with *particular force* in patent law” because this “traditional understanding” is embedded in the Patent Act itself.”<sup>69</sup>

¶25 To understand why the decision to apply the “general rule” may not be entirely fair requires some context. Microsoft, in the United States, provides “master disks” containing Windows to foreign PC manufacturers, who copy the contents onto PC hard

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<sup>62</sup> *Id.* at 1750–51.

<sup>63</sup> *Id.* at 1750 (Justice Stevens was the lone dissenter and Chief Justice Roberts did not participate in the case).

<sup>64</sup> 406 U.S. 518 (1972).

<sup>65</sup> Indeed, in contextualizing the *Deepsouth* opinion in *Microsoft Corp. v. AT&T Corp.*, the Court reached far further back to a nineteenth-century case, *Brown v. Duchesne*, 19 How. 183 (1857), to justify the holdings of both *Deepsouth* and *Microsoft*. See *Microsoft*, 127 S. Ct. at 1752.

<sup>66</sup> *Microsoft*, 127 S. Ct. at 1751.

<sup>67</sup> *Id.* at 1752 (quoting Fisch & Allen, *The Application of Domestic Patent Law to Exported Software: 35 U.S.C. § 271(f)*, 25 U. PA. J. INT’L ECON. L. 557, 565 (2004)). The provision provides in relevant part:

Whoever . . . supplies . . . from the United States all or a substantial portion of the components of a patented invention, . . . in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe . . . if such combination occurred within the United States, shall be liable as an infringer.

35 U.S.C. § 271(f)(1) (2006).

<sup>68</sup> *Microsoft*, 127 S. Ct. at 1751.

<sup>69</sup> *Id.* at 1758 (emphasis added).

drives. Microsoft had stipulated that the PCs, acting in concert with the software, infringed the patent that AT&T had asserted.<sup>70</sup> The only issue on appeal was whether the software on the master disks were “components” under section 271(f)(1), such that AT&T was entitled to assert its patent rights against Microsoft; the Federal Circuit had held that software is fairly characterized as a “component” under the statute.<sup>71</sup> Yet, despite the parties’ stipulation, the Supreme Court concluded that AT&T’s patent was *not* infringed by a computer “standing alone” or by software that was not yet installed—facts that are as difficult to refute as they are inconsequential.<sup>72</sup> That is, Microsoft does not create Windows so that it will sit on a shelf, just as its customers (i.e., PC manufacturers) do not buy Windows software to install on computers that no one will ever run. The Court, however, was not moved by these practical realities. Instead, it decided that software cannot be classified as a component “until it is expressed as a computer-readable ‘copy,’ e.g., on a CD-ROM.”<sup>73</sup> And having concluded that “[a]bstract software,” detached from an activating medium “is an idea without physical embodiment, and as such, it does not match § 271(f)’s categorization,” the Court found that software is not a “combinable component” as countenanced by section 271(f); therefore, the Court concluded that section 271(f) does not apply to foreign software sales because foreign-made copies of software are not “supplie[d]” from the United States—even though the original from which the copies were made did emanate from the United States.<sup>74</sup>

¶26 Thus, *Microsoft* clearly reflects the Supreme Court’s belief that patent holders’ rights (under section 271(f) or otherwise) should be construed as narrowly as possible. What is less clear, however, is why the Court viewed AT&T’s position as requiring an “expansive” or “dynamic” interpretation of section 271(f) when the statute was specifically enacted *to expand* the reach of U.S. patent law.<sup>75</sup> Similarly, it is unclear why the Court felt compelled to dare Congress to make any further “adjustments” to the provision that “it deems necessary or proper” to close any further “loophole” or “other arguable gaps” “if it finds such action warranted”—as Congress had tried to do by enacting section 271(f) in the first place.<sup>76</sup> Yet, the last section of *Microsoft* is devoted entirely to schooling AT&T—and really the Federal Circuit that it was reversing—on the Judiciary’s proper role vis-à-vis the legislative branch. While subtle, the Court’s final directive to the Federal Circuit is decidedly acerbic: “If the patent law is to be adjusted better ‘to account for the realities of software distribution,’ the alteration should be made after focused legislative consideration, and not by the Judiciary forecasting Congress’ likely disposition.”<sup>77</sup> The rhetorical tactic of incorporating text from the Federal Circuit’s opinion into the Supreme Court’s conclusion gives the reversal a particularly icy sting.

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<sup>70</sup> *Id.* at 1753.

<sup>71</sup> *Id.*

<sup>72</sup> *Id.* at 1750.

<sup>73</sup> *Id.* at 1755.

<sup>74</sup> *Id.* at 1755–56.

<sup>75</sup> *Id.* at 1751.

<sup>76</sup> *Id.* at 1751, 1759–60.

<sup>77</sup> *Id.* at 1760.

*I. Quanta Computers, Inc. v. LG Electronics, Inc.*

¶27 Last June, the Supreme Court issued its most recent patent law decision in *Quanta*.<sup>78</sup> *Quanta* is the Supreme Court's first major pronouncement on the doctrine of "patent exhaustion" in sixty-six years—since it decided *United States v. Univis Lens Co.*<sup>79</sup> In reversing the Federal Circuit, the Supreme Court again stressed the vitality of its own, considerably older decision.

¶28 The basic concept of exhaustion—that a patent holder's monopoly in a patented article is relinquished once a patent holder makes the first unconditional grant to a licensee under a U.S. patent—has been a recognized patent-law principle for over 150 years. Then, in *Univis*, the Supreme Court addressed how far a patent holder could go, without implicating federal antitrust law, to retain its control over a patented product after an initial grant had been made. The Court ultimately nullified explicit restrictions in the license agreements between Univis, which held a patent covering a method for grinding lenses, and its licensees. The relevant provision in these agreements required that, as a condition of the license to buy blank lenses from Univis's licensees, the downstream purchasers, who actually ground the lens blanks pursuant to Univis's patented method for sale to consumers, had to sell those lenses at a price dictated by Univis. The United States government sued Univis, alleging that this practice constituted an antitrust violation. Univis argued that it had the right to condition a license to use its lens patent and that those conditions could apply to downstream retailers. The Supreme Court disagreed, holding that a patent holder *cannot* contract to expand a patent monopoly that would otherwise have been "exhausted" upon the first authorized sale of a product substantially embodying the patented invention. The *Univis* Court also emphasized that a patentee cannot evade the antitrust laws by using the patent laws as a shield. In short, just because a patent holder could find a willing contract partner, the patent holder could not contract around the exhaustion doctrine.

¶29 During the sixty-six years since *Univis*, the Federal Circuit has carved out several exceptions to the exhaustion doctrine. For instance, the Federal Circuit has held (1) that a patentee can contract around exhaustion by imposing clear conditions at the time of a sale—as long as the patented article has some substantial non-infringing use;<sup>80</sup> (2) that method claims are never exhausted;<sup>81</sup> and (3) that sales made outside the United States are not "first sales" under a U.S. patent such that exhaustion is triggered.<sup>82</sup> In *Quanta*, the contemporary Supreme Court addressed two of the Federal Circuit's departures from *Univis* and similar cases, holding that exhaustion applies to method, not just apparatus, claims, and expressly denying a patent owner's right to seek royalties after a first authorized sale of a product that uses that method. Moreover, *Quanta* suggests that patent holders cannot limit the scope of a license as it applies to those downstream of the initial licensee—at least not to the extent previously recognized by the Federal Circuit.

¶30 From a 30,000-foot perspective, some key facts in *Quanta* and *Univis* are analogous. But in truth, the differences between the Depression-era eyeglass lens market

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<sup>78</sup> 128 S. Ct. 2109 (2008).

<sup>79</sup> See 316 U.S. 241, 249–50 (1942).

<sup>80</sup> See, e.g., *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 703, 708–09 (Fed. Cir. 1992).

<sup>81</sup> See *LG Elecs., Inc. v. Bizcom Elecs., Inc.*, 453 F.3d 1364, 1369–70 (Fed. Cir. 2006), *rev'd by Quanta*, 128 S. Ct. 2109.

<sup>82</sup> See *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094 (Fed. Cir. 2001).

and the contemporary, transnational PC market are non-trivial. In short, the complexities and scale associated with the underlying technology, the methods for combining the components at issue, and the economics that drive the process are incomparable.

¶31 The facts underlying the *Quanta* case are as follows. South Korea’s LG Electronics (“LGE”) had entered into a broad cross-license with Intel that covered microprocessors, chipsets, and methods for combining those products with other products (memory and buses). Simultaneously, LGE and Intel also executed a “Master Agreement” that sought to condition the scope of LGE’s license as to customers downstream of Intel—but without affecting the broad license granted to Intel itself. Intel sold processors and chipsets to original equipment manufacturers, such as Quanta, under the LGE license. When these sales were made, Intel gave the computer manufacturers notice that the sale did *not* include a license to combine those products with anything other than Intel products. But in order to make competitively priced products, the computer manufacturers combined the licensed Intel products with non-Intel memory and buses to make computer systems designed for the consumer market. LGE then sued the computer manufacturers for infringing a method patent covering the process of combining Intel microprocessors, chipsets, memory, and buses to form a computer system.

¶32 Carefully tracking the specific facts underlying *Quanta*, the Supreme Court reached the following conclusions:

- methods are embodied in products;
- method claims are exhausted when a license authorizes a licensee to sell components or products that substantially embody the patents that include those method claims;
- the first sale of a product that substantially embodies a method claim or that is covered by an apparatus claim exhausts any patent monopoly in those claims;
- the only reasonable use for the Intel products at issue in this case was to combine them to make computer systems;<sup>83</sup>
- everything inventive was embodied in the microprocessors and chipsets that Intel was licensed to sell to the computer manufacturers; and
- once Intel sold the microprocessors and chipsets under a license, the method claims that covered combining those products with others to make a computer system were exhausted because the latter process did not involve any innovation.<sup>84</sup>

Most notably, the Supreme Court adopted Quanta’s position, thereby rejecting the Federal Circuit’s view that method claims can never be exhausted.<sup>85</sup> Again, the Court’s opinion conveys downright indignation, stating that the Federal Circuit’s view of exhaustion “would allow patent holders to avoid exhaustion entirely by inserting method claims in their patent specifications.”<sup>86</sup> The Court insists that its holding will, by

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<sup>83</sup> Interestingly, this same premise—that the components only function as part of a computer system—was rejected in *Microsoft v. AT&T*, 127 S. Ct. 1746, 1755 (2007).

<sup>84</sup> See, generally, *Quanta*, 128 S. Ct. 2109.

<sup>85</sup> *Id.* at 2113.

<sup>86</sup> *Id.* at 2117.

contrast, *prevent* artful drafting from making “an end-run around exhaustion” that would in turn permit the grave “danger” that “any downstream purchasers of [a computer system] could nonetheless be liable for patent infringement.”<sup>87</sup> Yet, the Court’s reasoning ignores the practical reality that no patentee is likely to sue the end-user of a consumer good that practices a patent—particularly when the patent only covers a small feature within a subcomponent of an apparatus that is made up of numerous complex subcomponents, as is the case in virtually all patent infringement suits that accuse personal computers.

¶33 Further, the *Quanta* decision disregards the patent-law-specific meanings of several key terms, such as “components” and “license.” *Quanta* rests on the premise, for instance, that, where “*essential* features” are present in a device or a device “substantially embodies” those features, any method claims covering that device are exhausted.<sup>88</sup> But this premise ignores the long-standing notion that *all* limitations in a patent are equally important such that there really can be no “essential” components among limitations setting forth the elements of a given invention.<sup>89</sup> Similarly, the *Quanta* decision uses the term “license” as if it means “permission” instead of recognizing that, in the context of intellectual property law, a “license” specifically means an affirmative grant of rights made under a patent or copyright.<sup>90</sup>

¶34 *Quanta* ultimately raises as many questions as it resolves. For example, the opinion does not address whether LGE’s attempt to limit the scope of the license downstream of its licensee would have been successful if the limitation/condition had been in the cross-license that governed the transaction between Intel and Quanta instead of in the separate “Master Agreement” between LGE and Intel; the opinion only hints at such a possibility.<sup>91</sup> Likewise, *Quanta* does not address whether a “first sale” must occur in the United States in order to trigger exhaustion—even though the same sale could be the subject of infringement allegations regardless of where the first sale occurred. Further, *Quanta* does not resolve whether breach of contract damages may still be available where a licensee breaches an express condition in a written license even if the patentee cannot seek to recover from the licensee under patent law because exhaustion will have cut the patentee off from any patent-related royalty stream.<sup>92</sup> Additionally, *Quanta* does not address the related doctrine of implied license—and thus an implied license can still be disclaimed in an agreement with a licensee.<sup>93</sup>

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<sup>87</sup> *Id.* at 2118.

<sup>88</sup> *Id.* at 2120 (emphasis added).

<sup>89</sup> A patent examiner is supposed to review each claim—and corresponding limitations—in a patent for compliance with every statutory requirement for patentability. *See generally* U.S. PAT. & TRADEMARK OFF., MANUAL OF PATENT EXAMINING PROCEDURE § 707 (2008) (citing 37 C.F.R. 1.104(b)).

<sup>90</sup> *Quanta*, 128 S. Ct. at 2122.

<sup>91</sup> *Id.* at 2121–22 (“In any event, the provision requiring notice to Quanta appeared only in the Master Agreement, and LGE does not suggest that a breach of that agreement would constitute a breach of the License Agreement. Hence, Intel’s authority to sell its products embodying the LGE Patents was not conditioned on the notice or on Quanta’s decision to abide by LGE’s directions in that notice.”).

<sup>92</sup> *Id.* at 2122 n.7 (“We note that the authorized nature of the sale to Quanta does not necessarily limit LGE’s other contract rights. LGE’s complaint does not include a breach-of-contract claim, and we express no opinion on whether contract damages might be available even though exhaustion operates to eliminate patent damages.”).

<sup>93</sup> *See, e.g.,* Zenith Elecs. Corp. v. PDI Comm’ns, 522 F.3d 1348 (Fed. Cir. 2008) (finding implied license derived from express licenses between patentee and manufacturers).

¶35 The Court’s opinion does, however, send at least one unambiguous message: The Supreme Court had a case on point (*Univis*), yet, the Federal Circuit had inappropriately departed from that case’s pellucid pronouncements. Moreover, as in *eBay*, the Supreme Court’s irritation, arising from its perception that the Federal Circuit had gone off the reservation, is quite conspicuous. The opinion begins with the assertion that: “For over 150 years this Court has applied the doctrine of patent exhaustion to limit the patent rights that survive the initial authorized sale of a patented item.”<sup>94</sup> Then, the Supreme Court unequivocally announces that the Federal Circuit is being thoroughly rebuffed:

The Court of Appeals for the Federal Circuit held that the [exhaustion] doctrine does not apply to method patents at all and, in the alternative, that it does not apply here because the sales were not authorized by the license agreement. *We disagree on both scores.*<sup>95</sup>

The opinion is then peppered with phrases emphasizing the “longstanding” nature of the doctrine that is embodied “in 19th-century cases” that have “repeatedly held” positions contrary to the Federal Circuit’s.<sup>96</sup> Thus, the *Quanta* decision, in categorically reversing the Federal Circuit on two exhaustion-related points but nonetheless avoiding numerous, interrelated nuances associated with the doctrine, is less about illuminating a substantive, patent-law doctrine and more about establishing dominance.

### III. PSYCHOANALYZING THE COURT’S CONSISTENCY

¶36 The recent patent cases discussed above reflect the Supreme Court’s inclination to shift the balance of power away from patent holders by relying on older, simpler precedents—although these precedents did not necessarily arise in analogous circumstances or even in patent infringement disputes. Of course, the Supreme Court’s implicit message that a patent case is just a case like any other is, in one sense, quite correct. That is, litigation is litigation, and “thinking like a lawyer” (or like a judge) is critical to navigating any lawsuit judiciously. But that does not mean that it is appropriate or “fair” to treat legal issues in a Procrustean manner.<sup>97</sup> There may be sound reasons why a specialized court has crafted special rules that deviate in certain ways from similar, broadly applicable principles that were formulated by a court of general jurisdiction.

¶37 As elegant as the Court’s consistency may be, that very consistency across the ideological divide is suspect because it suggests a preference for simplicity in a context that is not especially amenable to simplicity. Indeed, the *complexity* of intellectual property law is what prompted Congress to *create* the Federal Circuit—not because this

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<sup>94</sup> *Quanta*, 128 S. Ct. at 2113.

<sup>95</sup> *Id.* (emphasis added).

<sup>96</sup> *Id.* at 2115.

<sup>97</sup> This metaphor is derived from the story of Procrustes, a mythological Greek miscreant who offered unsuspecting guests a special iron bed in which to sleep. If the guest was too tall, Procrustes would amputate the excess length; and if the guest was too short, he would stretch his victim on the rack until the guest “fit” the bed. But in fact, no one ever fit the bed because Procrustes would adjust it upon sizing his victims up from afar so as to ensure a mismatch. Procrustes was eventually outsmarted by Theseus, the same Greek hero responsible for founding Athens and for giving Oedipus, the ostracized king of Thebes, his final resting place.

complexity is a “problem” to be eradicated, but because complexity is a core characteristic of patent law. The Federal Court’s mandate has been to tease out the complexities in a doctrinal area whose underlying subject matter is peculiarly dynamic (and thus complex): human innovation. Thus, by insisting that patent cases be treated like any other, by issuing holdings that routinely rest on older, simpler precedents, and by rejecting subject-specific nuance, the Supreme Court has implicitly challenged a key justification for the Federal Circuit’s very existence.

¶38 Why would the Supreme Court feel compelled to pursue such a fundamental assault upon the Federal Circuit?

¶39 If one accepts the premise that the institutional relationship between the Supreme Court and the Federal Circuit is analogous to a father-son relationship,<sup>98</sup> the Supreme Court’s recent patent opinions, when considered collectively, expose a pronounced desire on the part of the father to make it clear to the son who is boss. In turn, the uncanny repetition of this reminder from the patriarch suggests a degree of anxiety about the son’s growing significance. This anxiety is quite understandable if one considers the context in which this particular father has found himself: A generalist confronting concepts that have evolved in an esoteric area of law replete with its own peculiar argot, in a cultural epoch where technological innovation moves at mind-boggling speed, and where businesses’ intellectual property is often more valuable than hard assets whose worth is far easier to quantify. The labyrinth of arcane, patent-specific jurisprudential concepts is decidedly difficult to negotiate—even for profoundly intelligent human beings such as Supreme Court Justices. And even profoundly intelligent, accomplished patriarchs can be reluctant to admit that their upstart sons may occasionally craft a better, more nuanced solution to a complex problem.

¶40 Members of the Highest Court in this land would likely bristle at the suggestion that their approach to adjudicating appeals in patent cases reflects a struggle for dominance between father and son. A traditional Freudian, however, would quickly counter that denial is a natural, initial response to being confronted with uncomfortable truths buried in one’s psyche. And at least within the hermetic realm of psychoanalysis, the road to self-awareness requires that one recognize the patterns and symbols that reveal the repressed concerns that lie beneath the surface of consciousness. Only by exhuming the artifacts of the unconscious and exposing them to the light of Reason can one see, and then address, the latent anxieties that unwittingly affect one’s behavior—in ways that may not be as facially reasonable as the Ego is inclined, *a priori*, to believe.<sup>99</sup> And, again, according to the psychoanalytic model, symbolic clues as to what is really afoot occasionally float to the surface when we let our guard down, thereby beckoning us to unearth them.<sup>100</sup> The subterranean exploration recommended here focuses on the

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<sup>98</sup> This metaphor is intentionally gendered male because, in both Freudian analysis and in the Greek myths upon which Freud relied, the psychological dynamic between father and son is quite distinct from the dynamic between father and daughter. For instance, in *Oedipus at Colonus*, Oedipus’s daughters dutifully serve and nurture Oedipus throughout his years in exile, whereas his sons pursue their own self-interested quest for power. But the descriptions of the Supreme Court as “father” and the Federal Circuit as “son” in this article have nothing to do with the gender of the courts’ members and certainly are not intended to imply any slight to the esteemed female members of the courts.

<sup>99</sup> See generally SIGMUND FREUD, *THE EGO AND THE ID* (James Strachey ed., Joan Riviere trans., Norton 1960) (1923).

<sup>100</sup> See generally SIGMUND FREUD, *THE INTERPRETATION OF DREAMS* (Abraham Arden Brill trans., Allen & Unwin 3d ed. 1937) (1899); SIGMUND FREUD, *PSYCHOPATHOLOGY OF EVERYDAY LIFE* (Abraham

psyche of the Supreme Court *qua* father, and that father's decision to reassert its influence in a particular area after being otherwise engaged for the preceding fifty years.

¶41 But can Freud really provide a decent road map for this exploration?

¶42 Freud might well have been interested in *Egyptian Goddess, Inc. v. Swisa, Inc.*,<sup>101</sup> a post-*Quanta* by-product of the dialogue between the Federal Circuit and the Supreme Court. This recent, unanimous, *en banc* Federal Circuit decision suggests that the son may be cognizant of at least one of the patterns in the father's recent patent-law jurisprudence described above. In *Egyptian Goddess*, the Federal Circuit discarded its own 20-year-old "point of novelty" test for design patent infringement and reverted back to a 137-year-old Supreme Court standard articulated in *Gorham v. White*.<sup>102</sup> The latter test was, heretofore, described *only* in that lone 1871 case. The old *Gorham*/new *Egyptian Goddess* test asks what an "ordinary observer," upon comparing two competing designs, would recognize as infringing. Thus, the Federal Circuit has resurrected a broader, simpler standard—in a development that resonates with irony since this standard should actually make it *easier* for a certain category of patent holders to prevail, whereas the Supreme Court's recent decisions have all resulted in *curtailing* patent holders' rights. Also, Freud might have deemed it significant that this case is seemingly appeal-proof—because the plaintiff successfully attacked the legal test at issue, yet, the Court still found that the patentee's design had not been infringed; therefore, although the defendants lost on the legal issue, the infringement claim against them was dismissed.<sup>103</sup>

¶43 But the fact is, Freud, who believed that a father's death was "the most important event, the most poignant loss, of a man's life"<sup>104</sup> and who sired six children, had precious little to say regarding the *father's* perspective. Freud's most famous theory—of the Oedipal conflict—was formulated shortly after his own father's death and focuses almost exclusively on the son's perspective. And in *Moses and Monotheism* (1938), written during the last year of Freud's life, Freud still focused primarily on the *son's* perspective (specifically, the longing of Christianity, the son, to supplant Judaism, the "retrograde" father-religion). But assuming that Freud was right that all sons experience feelings of profound ambivalence about their fathers—loving them, hating them, desiring to supersede them, and feeling guilty about the resulting conflict simultaneously—then surely the son who grows up to become a father must experience his own anxieties attributable to the belief that his children unconsciously long to take over. Because Freud himself did not address this likelihood, "inverse Freud" will have to do.

¶44 Freud based his Oedipal theory on a Greek mythic hero, Oedipus. Yet, Oedipus did not simply kill his father and then blithely marry his mother. Indeed, he did not know his biological father; he killed a stranger in an act of self-defense. He later married a

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Arden Brill trans., T.F. Unwin 3d ed. ltd. 1920) (1901).

<sup>101</sup> 543 F.3d 665 (Fed. Cir. 2008).

<sup>102</sup> *Id.* at 672 (citing 81 U.S. 511 (1871)).

<sup>103</sup> Members of the Federal Circuit have, in more purely deferential terms, commented on the High Court's recent interest. For instance, Chief Judge Paul R. Michel has suggested that "the Federal Circuit has had a good amount of time to wrestle with fundamental issues of patent law and has developed a body of law on those fundamental issues. The time is ripe for the Supreme Court to review the way we have resolved those issues. It's neither surprising nor worrisome." Marcia Coyle, *Critics Target Federal Circuits*, NAT. L. J., Oct 16, 2006, available at <http://www.law.com/jsp/law/LawArticleFriendly.jsp?id=900005551683>.

<sup>104</sup> SIGMUND FREUD, *Preface to the Second Edition of SIGMUND FREUD, THE INTERPRETATION OF DREAMS* at xxvi (Abraham Arden Brill trans., Allen & Unwin 3d ed. 1937) (2d ed. 1908).

somewhat older woman who was, unbeknownst to either of them, his mother and the widowed queen of the stranger whom Oedipus had killed some time before. And by the time Oedipus learned the messy truth about the events that had culminated in his marriage and coronation, he himself was a father. The self-inflicted punishment that followed—which entailed gouging his eyes out and then wandering in exile—was dramatic, but it was not the end of Oedipus’s story. Oedipus grew old. And the great tragedian, Sophocles, who wrote the play that so inspired Freud,<sup>105</sup> also wrote a play about the last days of this ill-fated hero, *Oedipus at Colonus*, which focuses on a very different kind of identity crisis: an older man’s fear of insignificance and his quest for absolution.

¶45 The exegesis of the High Court’s recent patent cases presented here places special emphasis on the tone and rhetorical tactics that characterize these decisions. In this sense, this Article follows the lead of Hamlet (a favorite in certain psychoanalytic circles).<sup>106</sup> When Hamlet decides to employ a roving band of actors to put on a play in hopes of catching “the conscience of a king,” Hamlet provides the Players with some sound advice. He urges them to:

Suit the action to the word, the word to the action; with this special observance, that you o’er-step not the modesty of nature: for any thing so o’erdone is from the purpose of playing, whose end, both at the first and now, was and is, to hold, as ‘t were, the mirror up to nature; to show virtue her own feature, scorn her own image, and the very age and body of the time his form and pressure.<sup>107</sup>

Holding “as ‘t were the mirror up to” the Supreme Court’s patent opinions reveals a dynamic that is not explained simply by the internal logic of any discrete case. And implicit in this exercise is the suggestion that something may be (slightly) rotten in the state of Denmark.<sup>108</sup> While it is indisputable that *stare decisis* is a bedrock principle of the Anglo-American legal system, a specialized court may have legitimate reasons for deviating or extrapolating from older decisions that emanated from a court of general jurisdiction. And the Court could be unduly privileging *stare decisis* over sensitivity to the *sui generis* aspects of patent law. In short, the Court’s consistent insistence that it is unfair to treat patent cases differently from others may not really be fair—if “being fair” means proceeding with detachment from bias and presuppositions and with special sensitivity to the peculiar nuances of a particular context.

¶46 The Supreme Court has recently denied the writs of *certiorari* in a number of appeals of high-profile patent disputes.<sup>109</sup> Yet, the current term will include at least one

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<sup>105</sup> SOPHOCLES, OEDIPUS THE KING.

<sup>106</sup> See, e.g., ERNEST JONES, HAMLET AND OEDIPUS (London: V. Gollancz 1949).

<sup>107</sup> WILLIAM SHAKESPEARE, HAMLET, act 3, sc 2, ln 17–24.

<sup>108</sup> This observation in itself is hardly novel since criticism of the Federal Circuit has been mounting over the past two years in conjunction with the Supreme Court’s rising interest in patent cases. See, e.g., Coyle, *supra* note 103 (noting concern about the Federal Circuit’s own relatively high reversal rate in patent cases—approximately 30–35%—when other appellate courts in reviewing district court cases reverse only about 20% of the time).

<sup>109</sup> The Court has, for instance, denied writs of *certiorari* in *EchoStar Comm’n Corp. v. TiVo Inc.*, 516 F.3d 1290 (Fed. Cir. 2008), *cert. denied* 129 S. Ct. 306 (2008) (appealing the Federal Circuit’s conclusion that a \$73.5 million jury award against EchoStar for infringing a patent on time-shifting television signals was supported by substantial evidence), and in *In re Nuijten*, 500 F.3d 1346 (Fed. Cir. 2007), *cert. denied*,

(quasi) patent case: *Carlsbad Technology Inc. v. HIF Bio Inc.*<sup>110</sup> A principal reason for the Supreme Court to grant *certiorari* would seem to be to correct what the Supreme Court sees as an error on the Federal Circuit's part. But if this proves to be the case with *Carlsbad*—and the Supreme Court reverses the Federal Circuit on the jurisdictional question presented—then this would also mean that the Court would be diverging for the first time from the trend of scaling back the rights of patent holders and the scope of the Federal Circuit's jurisdiction. Whether the Court will agree to hear any of the appeals in patent cases that are still pending—and whether any opinions that follow would fit the pattern described in this article—remains to be seen. In any event, the subtext of the Supreme Court's remarkably consistent approach to patent law in recent terms merits, in all due “fairness,” further scrutiny.

#### IV. CONCLUSION

¶47 The net result of the remarkable consistency of the Supreme Court's recent patent opinions may be to weaken the patent system, which could in turn hinder the kind of innovation that the system is meant to foster. Such a development would not be particularly good—at least not from the perspective of the Granddaddy of all Progenitors, the Framers of our nation's founding document, who directed Congress to go to special lengths to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>111</sup> Certainly, the leitmotif apparent in the Supreme Court's patent cases and the increasingly reproachful tone through which its opinions are conveyed warrant a closer look.

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129 S. Ct. 70 (2008) (appealing the Federal Circuit's ruling that signals embedded with information that allows those signals to place digital watermarks on electronic data files are unpatentable because they do not fit into any of the four categories of patentable subject matter delineated in 35 U.S.C. § 101). However, the cases presented to the Supreme Court recently, including *Carlsbad Tech. v. Yung Shin Pharms. Indus. Co.*, 508 F.3d 659 (Fed. Cir. 2007), have largely involved procedural, rather than meaty, substantive questions of patent law.

<sup>110</sup> On October 14, 2008, the Court granted *certiorari* in this case where the issue presented is whether, after declining to exercise supplemental jurisdiction under 28 U.S.C. § 1367(c), a district court's decision to remand a case that hinged on the question of inventorship could be reviewed; a unanimous panel of the Federal Circuit concluded that it could not. *HIF Bio, Inc. v. Yung Shin Pharms. Industrial Co.*, 508 F.3d 659 (Fed. Cir. 2007), *cert. granted*, 129 S. Ct. 395 (U.S. Oct. 14, 2008) (No. 07-1437).

<sup>111</sup> U.S. CONST. art. I, § 8, cl. 8.