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WHO'S AT THE HELM? THE FEDERAL CIRCUIT'S RULE OF DEFERENCE AND THE SYSTEMIC ABSENCE OF CONTROLLING PRECEDENT IN MATTERS OF PATENT LITIGATION PROCEDURE

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I. INTRODUCTION

> [B]ecause there is ultimately a single proper interpretation of federal law, the attempt to ascertain and apply diverse circuit interpretations simultaneously is inherently self-contradictory. . . . The federal courts spread across the country owe respect to each other's efforts and should strive to avoid conflicts, but each has an obligation to engage independently in reasoned analysis.[1]

> Perhaps the Federal Circuit should apply its own law to all procedural issues arising in patent cases.[2]

> The difficulty here is structural.[3]

In the nearly 25 years following its seminal decisions in *Panduit Corp. v. All States Plastic Manufacturing Co.*[4] and *In re International Medical Prosthetics Research Associates, Inc.*,[5] the Federal Circuit has built, from the ground up, an unprecedented federal appellate choice-of-law structure for matters of patent litigation procedure. At the doctrine's core is a high-minded but unnecessary rule mandating deference to the respective regional circuits' interpretations of the Federal Rules of Civil Procedure. At best, the Rule of Deference stands as a gratuitous gesture of comity that serves to overcomplicate matters in the name of efficiency. At worst, the Rule perpetuates large systematic gaps in precedent relating to patent litigation procedure. Focusing only on the Rule of Deference as it has been applied in the procedural context, this article proposes that the Federal Circuit cast the Rule aside and join its sister circuits in explicating federal procedure as such issues arise in the cases before the court.

In Parts I through III, this article explains the Rule of Deference, provides an illustration of its application, and summarizes the idiosyncratic history of its adoption by the Federal Circuit. Prior scholarship shows the Rule was not

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1 *In re* Korean Air Lines Disaster of September 1, 1983, 829 F.2d 1171, 1175-76 (D.C. Cir. 1987).

2 Kimberly A. Moore, *Juries, Patent Cases & A Lack of Transparency*, 39 HOUS. L. REV. 779, 800 (2002).

3 SENATE REPORT TO FEDERAL COURTS IMPROVEMENT ACT OF 1982, S. REP. NO. 97-275, at 3 (1981), *as reprinted in* 1982 U.S.C.C.A.N. 11, 13.

4 744 F.2d 1564, 223 U.S.P.Q. (BNA) 465 (Fed. Cir. 1984).

5 739 F.2d 618 (Fed. Cir. 1984).

natural to federal appellate practice. Rather, the Rule exists as a notable exception to the principle of competence, and to the commitment to a theoretically uniform federal law that underlies the federal system. *Erie* references are also more misleading than helpful.

Part IV examines the arguments weighing for and against the Federal Circuit's use of the Rule of Deference. One compelling reason for maintaining the Rule of Deference in matters of patent litigation procedure is the efficiency gains resulting from permitting a federal district court judge to rule quickly and easily according to her regional circuit's familiar body of procedural law. Even such efficiency gains, however, are likely overstated. On the other hand, there are at least four problems with the current use of the Rule of Deference: (1) contrary to statements made when the Rule was adopted, it runs counter to the congressional purpose articulated in the Federal Circuit's founding legislation; (2) the Rule systematically fails to develop on-point precedent in matters of patent litigation procedure; (3) the Rule forces the courts and practitioners to spend innumerable hours divining and applying gratuitous federal appellate choice-of-law doctrine at great expense to litigating parties; and (4) the Rule tacitly endorses the pernicious misconception that the judges of the Federal Circuit are specialists and the court itself, under the logic of *Erie*, is not "competent" to address routine procedural questions.

On balance, these shortcomings appear to outweigh any efficiency gains, and militate against perpetuating this exception to the principle of competence. This is particularly true as no appellate court, save for the Supreme Court, is currently creating precedent regarding day-to-day questions of procedure in patent litigation. Thus, this article concludes that the Federal Circuit ought to abandon its Rule of Deference to the law of the regional circuits for procedural matters.

A. *The Rule of Deference in Matters of Procedure*

The exact language of what is referred to as the "Rule of Deference" has evolved in order to keep pace with a somewhat inconsistent application over the years.[6] Generally speaking, and with many exceptions, the Rule defines a dual appellate review scheme adopted by the Federal Circuit that looks to whether the legal issue under review is substantive or procedural. The court recently stated that

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6 *See* Eolas Techs., Inc. v. Microsoft Corp., 457 F.3d 1279, 79 U.S.P.Q.2d (BNA) 1597 (Fed. Cir. 2006) (characterizing the doctrine as a "rule of deference").

> in matters of procedure "we will apply the law of the regional circuit to which district court appeals normally lie, unless the issue pertains to or is unique to patent law." . . . However, "we will apply our own law to both substantive and procedural issues intimately involved in the substance of enforcement of the patent right."[7]

Alternatively, the Federal Circuit has said that "our practice has been to defer to regional circuit law when the precise issue involves an interpretation of the Federal Rules of Civil Procedure or the local rules of the district court."[8]

Thus, the Federal Circuit performs what can be considered a "reverse" *Erie* analysis (or "*Erie* through the looking glass" as Professor Joan E. Schaffner colorfully described it),[9] in that it applies an external body of procedural law, while developing its own substantive rules of decision for patent matters.[10]

The Rule of Deference must be distinguished from two other types of choice-of-law analysis used by the Federal Circuit. First, the Federal Circuit follows the *Erie* and *Klaxon*[11] scheme that substantive state law claims, such as contract and tort claims pendent to a patent infringement action, are controlled by the substantive law, including the choice-of-law rules, of the state in which the federal district court that originally heard the case sits.[12]

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[7] O2 Micro Int'l. Ltd. v. Monolithic Power Sys., Inc., 467 F.3d 1355, 1364, 80 U.S.P.Q.2d (BNA) 1769, 1775 (Fed. Cir. 2006) (quoting Sulzer Textil A.G. v. Picanol N.V., 358 F.3d 1356, 1363, 69 U.S.P.Q.2d (BNA) 1961 (Fed. Cir. 2004)).

[8] Biodex Corp. v. Loredan Biomedical, Inc., 946 F.2d 850, 857, 20 U.S.P.Q.2d (BNA) 1252, 1259 (Fed. Cir. 1991).

[9] *See* Joan E. Schaffner, *Federal Circuit "Choice of Law": Erie Through the Looking Glass*, 81 IOWA L. REV. 1173 (1996).

[10] For an extremely useful overview of when the Federal Circuit applies the Rule of Deference, see ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT § 20.2(b) (8th ed. 2008). For the Federal Circuit's own thorough—if now somewhat dated—analysis of the Rule, see *Biodex Corp.*, 946 F.2d at 855-58, 20 U.S.P.Q.2d (BNA) at 1256-59.

[11] Erie R.R. Co. v. Tompkins, 304 U.S. 64 (1938); Klaxon Co. v. Stentor Elec. Mfg. Co., 313 U.S. 487, 49 U.S.P.Q. (BNA) 515 (1941).

[12] Eaton Corp. v. Appliance Valves Corp., 790 F.2d 874, 877 n.4, 229 U.S.P.Q. (BNA) 668, 671 n.4 (Fed. Cir. 1986).

Second, the Federal Circuit applies regional circuit law for many non-patent substantive issues of federal law such as copyright[13] and bankruptcy[14] law. This has been the subject of ample scholarship,[15] with much devoted in particular to the Federal Circuit's shifting choice-of-law scheme for antitrust law.[16] Much of this scholarship is not particularly helpful in the procedural context as it is more closely tied to questions of the Federal Circuit's appellate jurisdiction.[17]

Some of the arguments advanced in later sections might incidentally support abandoning this choice-of-law regime as well. Any attempt, however, to extend these points to substantive non-patent law implicates numerous concerns and precedents that are not relevant in the procedural context. In many ways, the improper equating of non-patent substantive law problems to those of patent litigation procedure first created the difficulties sought to be remedied here. The Rule of Deference as applied to procedural matters is a unique case, as illustrated in the next section.

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13 Atari Games Corp. v. Nintendo of Am. Inc., 975 F.2d 832, 837, 24 U.S.P.Q.2d (BNA) 1015, 1018 (Fed. Cir. 1992).

14 *In re* Cambridge Biotech Corp., 186 F.3d 1356, 1368, 51 U.S.P.Q.2d (BNA) 1321, 1329 (Fed. Cir. 1999).

15 *See, e.g.*, Schaffner, *supra* note 9; Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 38-39 (1989) [hereinafter "Dreyfuss I"]; Elizabeth I. Rogers, *The Phoenix Precedents: The Unexpected Rebirth of Regional Circuit Jurisdiction Over Patent Appeals and the Need for a Considered Congressional Response*, 16 HARV. J.L. & TECH. 411 (2003).

16 *See, e.g.*, Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1068, 46 U.S.P.Q.2d (BNA) 1097, 1104 (Fed. Cir. 1998) (en banc) (holding that whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit law, overruling prior decisions to the contrary); James B. Gambrell, *The Evolving Interplay of Patent Rights and Antitrust Restraints in the Federal Circuit*, 9 TEX. INTELL. PROP. L.J. 137 (2001) (analyzing *Nobelpharma* and related Federal Circuit antitrust jurisprudence).

17 Lengthy battles have been and will continue to be waged over the reach of the Federal Circuit's jurisdiction over non-patent substantive issues. *See, e.g.*, Handgards, Inc. v. Ethicon, Inc., 743 F.2d 1282, 1285-88, 223 U.S.P.Q. (BNA) 214, 215-17 (9th Cir. 1984). Unlike the battles surrounding antitrust jurisdiction, however, few would dispute that the Federal Circuit has appellate *jurisdiction* as such (whether exclusive or not) over all procedural questions in standard patent litigations.

Many cases and commentators have addressed, and often critiqued, the Rule's mutability and uncertain usage.[18] Although a few authors did generally challenge the Rule from its outset,[19] most of the commentary to date has been directed either at establishing a better test for separating substance from procedure,[20] or reversing what was seen as a particularly errant application of the Rule, such as the application of Federal Circuit law to personal jurisdiction analysis.[21] The notable exception to this trend is then-Professor (currently Judge) Kimberly Moore's tantalizing suggestion in 2002 that "perhaps" the Federal Circuit should always be applying its own law to all procedural issues arising in patent cases.[22] The focus here, accordingly, is on whether the Rule should exist at all.

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18 For example, just a year after the Rule of Deference was first articulated, Charles L. Gholz published an article in AIPLA Quarterly Journal warning that the Rule would lead to uncertainty regarding which matters should be categorized as procedural. Charles L. Gholz, *Choice of Law in the United States Circuit Court of Appeals for the Federal Circuit*, 13 AIPLA Q.J. 309, 314-16 (1985). A few years later, Professor Dreyfuss published her first leading work on the subject, arguing that the substance/procedure divide as expressed by the Federal Circuit would prove unworkable. *See* Dreyfuss I, *supra* note 15, at 38-39.

19 *See id.* at 37-42; Gholz, *supra* note 18, at 314-16.

20 *See, e.g.*, Schaffner, *supra* note 9, at 1179 (proposing that the Federal Circuit should use its "independent judgment" for "all substantive law issues which comprise a 'patent-related case,'" but should defer to regional circuits on "procedural issues that have little or no impact on patent policy or the patent-related primary activities of the parties."); Sean M. McEldowney, *The "Essential Relationship" Spectrum: A Framework for Addressing Choice of Procedural Law in the Federal Circuit*, 153 U. PA. L. REV. 1639, 1673-76 (2005) (proposing a conceptual spectrum of connectedness to substantive patent law for determining whether regional law should be applied); Adam E. Miller, *The Choice of Law Rules and the Use of Precedent in the Federal Circuit: A Unique and Evolving System*, 31 OKLA. CITY U. L. REV. 301, 326-30 (2006) (criticizing the Federal Circuit's case-by-case analysis and the unpredictability of the current rule).

21 *See, e.g*, Schaffner, *supra* note 9, at 1202 (criticizing Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558, 30 U.S.P.Q.2d (BNA) 1001 (Fed. Cir. 1994)).

22 Moore, *supra* note 2, at 800.

B. *An Illustration of The Rule of Deference*

In May 2007, the Supreme Court issued its *Bell Atlantic Corp. v. Twombly* decision.[23] This case served to rearticulate notice pleading standards in the antitrust context.[24] Following the decision, federal courts at all levels across the United States immediately began exploring its import, including in various other pleading contexts.[25]

By early fall of the same year, the Federal Circuit had already found itself analyzing whether, and to what extent, *Twombly* altered pleading standards in patent cases.[26] The facts of *McZeal v. Sprint Nextel Corp*. were straightforward. A litigious pro se plaintiff, McZeal, had sued Sprint Nextel for, *inter alia*, patent infringement in the Southern District of Texas.[27] The district court, ruling prior to the Supreme Court's decision in *Twombly*, granted Sprint Nextel's motion to dismiss the complaint for failure to state a claim.[28]

The Federal Circuit, consistent with its regular practice, began with a choice-of-law analysis.[29] As a motion to dismiss is considered a "purely procedural question not pertaining to patent law," the court applied not its own law to the appeal, but the law of the Fifth Circuit.[30] A reference to the Fifth

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[23] 127 S. Ct. 1955 (2007).

[24] *Id.* at 1969, 1974 (expressly retiring the longstanding "no set of facts" language from *Conley v. Gibson* and holding that a plaintiff must plead "enough facts to state a claim to relief that is plausible on its face").

[25] *See, e.g.,* Anticancer Inc. v. Xenogen Corp., 248 F.R.D. 278, 281-82 (S.D. Cal. 2007).

[26] McZeal v. Sprint Nextel Corp., 501 F.3d 1354, 1356-57, 1359-63, 84 U.S.P.Q.2d (BNA) 1315, 1317, 1319-22 (Fed. Cir. 2007).

[27] *Id*. at 1355, 84 U.S.P.Q.2d (BNA) at 1316.

[28] McZeal v. Sprint Nextel Corp., No. H-06-1775, 2006 WL 4792779 (S.D. Tex. June 20, 2006) (focusing on McZeal's repeated failure to allege any facts about the way defendant's accused telephone system worked or how that system might be covered by his patent).

[29] *McZeal*, 501 F.3d at 1355-56, 84 U.S.P.Q.2d (BNA) at 1316.

[30] *Id*.

Circuit's general 12(b)(6) standard followed, and then a cite to the more lenient standard applied to pro se plaintiffs.[31]

With the preliminaries thus addressed, the court turned to *Twombly*.[32] The Federal Circuit adhered to the narrow line that *Twombly* did not change the pleading requirements of Rule 8 of the Federal Rules of Civil Procedure as articulated in *Conley v. Gibson*.[33] Instead, the court favorably quoted *Conley* and merely clarified its "no set of facts" language.[34] That established, the Federal Circuit without explanation twice cited its own earlier (and, by implication, still viable) 12(b)(6) pleading case decided under Eleventh Circuit law. That case, *Phonometrics, Inc. v. Hospitality Franchise Systems, Inc.*,[35] was cited for the position that McZeal's complaint, sparse as it was, did provide "enough detail" to meet the notice pleading requirements.[36] That it identified, among other things, the accused product and the patent was enough, at least for a pro se litigant.[37] Judge Dyk offered a vigorous dissent with respect to McZeal's assertion of a doctrine of equivalents claim, suggested that *Twombly* demanded a contrary holding, and unequivocally stated that *Twombly* applies in the patent context.[38]

It is a challenge to identify what, if any, precedential law can be taken away from *McZeal*, which is still the leading Federal Circuit case on application of *Twombly*. The opinion predicts, by analogy from Fifth Circuit Title VII law, that a pro se patent plaintiff in the Southern District of Texas would have pled enough facts to survive a motion to dismiss by identifying the patent and the accused products. The case further holds that the *Twombly* decision, while applying in the patent context, did not alter the way the Fifth Circuit likely would have applied its Title VII law in a patent case. It then confirms the

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31 *Id.* at 1356, 84 U.S.P.Q.2d (BNA) at 1316-17.

32 *Id.* at 1356, 84 U.S.P.Q.2d (BNA) at 1317.

33 355 U.S. 41 (1957).

34 *McZeal*, 501 F.3d at 1356 n.4, 84 U.S.P.Q.2d (BNA) at 1317 n.4.

35 203 F.3d 790, 53 U.S.P.Q.2d (BNA) 1762 (Fed. Cir. 2000).

36 *McZeal*, 501 F.3d at 1354, 1357, 84 U.S.P.Q.2d (BNA) at 1317-18.

37 *Id.* at 1357-58, 84 U.S.P.Q.2d (BNA) at 1317-18. The court also cited the five basic elements of a patent complaint revealed in the sample complaint of then Form 16 (now Form 18) of the Federal Rules. *Id.* at 1356-57, 84 U.S.P.Q.2d (BNA) at 1317.

38 *Id.* at 1361-63, 84 U.S.P.Q.2d (BNA) at 1321-22 (Dyk, J., concurring-in-part and dissenting-in-part).

propriety of this holding by reference to an earlier case where the Federal Circuit predicted what the Eleventh Circuit would have done before *Twombly*.

Not surprisingly, district courts attempting to apply *Twombly* in patent cases have approached *McZeal* inconsistently. For example, in *CBT Flint Partners, LLC v. Goodmail Systems, Inc.*, the district court was faced with a motion to dismiss a patent complaint.[39] The defendant, citing *Twombly*, sought application of a higher pleading standard; the plaintiff, however, saw little in *Twombly* to counsel against use of its traditionally sparse patent complaint.[40] Looking for guidance, the district court began by citing *McZeal* for the "interesting[]" proposition that Eleventh Circuit law governed the issue.[41] It then went on to note the absence of Eleventh Circuit precedent concerning *Twombly's* effect on pleading requirements in patent cases and somewhat dryly cited 28 U.S.C. § 1295(a)(1), which gives the Federal Circuit exclusive jurisdiction over most patent appeals, for the proposition that such precedent wasn't "likely" forthcoming from the Eleventh Circuit.[42] The district court accordingly felt itself at liberty to approach the issue with *carte blanche*, and ultimately engaged in a thorough analysis of the issues with almost no citation to controlling authority other than *Twombly* itself and the court's local patent rules.[43] It eventually held, akin to the Federal Circuit in *McZeal*, that *Twombly* did not upset the usual notice pleading standard and denied the motion.[44]

By contrast, that same month a district court in the Eastern District of Virginia approached *McZeal* as a source of non-binding but "appropriate guidance" on the legal question of patent pleading standards under *Twombly*.[45]

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39 529 F. Supp. 2d 1376, 1377 (N.D. Ga. 2007).

40 *Id.* at 1378-79.

41 *Id.* at 1379.

42 *Id.*

43 *Id.* at 1379-81.

44 *Id.* at 1380-81.

45 Taltwell, LLC v. Zonet USA Corp., No. Civ. 3:07cv543, 2007 WL 4562874, at *13-14 (E.D. Va. Dec. 20, 2007); *see also* Schwendimann v. Arkwright, Inc., No. Civ. 08-162, 2008 WL 2901691, at *2 (D. Minn. July 23, 2008) ("Although *McZeal* addressed the pleading standard for a patent infringement claim and applied Fifth Circuit law, this Court finds that the pleading standard discussed in *McZeal* is applicable to the case at bar and will likely be the standard applied by the Eighth Circuit.").

Like the court in *CBT*, it began by citing to the Federal Circuit's Rule of Deference, and then noted the unsurprising absence of Fourth Circuit authority.[46] Faced with no controlling authority, the court decided on its own initiative to borrow and apply the five-part *McZeal* analysis, which was inspired by Form 18 of the Federal Rules, for testing sufficiency of a patent complaint, and ultimately denied the defendant's motion to dismiss.[47]

Given that the underlying legal question regarding what facts a plaintiff must allege in a patent complaint is hardly complex, it is startling that the legal landscape on the issue is so dizzying. One possible conclusion to draw from this disorder is that the Federal Circuit should treat 12(b)(6) motions as procedural issues "pertaining to patent law."[48] It could then develop its own body of law

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[46] *Id.* at *13.

[47] *Id.* at *14. District courts in Texas appear to treat *McZeal* as controlling authority after *Twombly*. *See, e.g.,* Performance Aftermarket Parts Group, Ltd. v. TI Group Auto. Sys., LLC, No. Civ. H-05-4251, 2007 WL 2818269, at *1 n.2 (S.D. Tex. Sept. 25, 2007). *McZeal* was, after all, an appeal from that same district. The court, however, simultaneously distinguished its case from *McZeal* as not arising in the pro se context, and at the same time cited language from *McZeal* to support a contrary conclusion that the complaint at issue failed to plead contributory infringement. *Id.* at *2; *see also* Fotomedia Techs., LLC v. AOL, LLC., No. Civ. 2:07cv255, 2008 WL 4135906, at *2 (E.D. Tex. Aug. 29, 2008) (citing as precedent the holding of *McZeal* with respect to *Twombly*); PA Advisors, LLC v. Google Inc., No. Civ. 2:07cv480, 2008 WL 4136426, at *6 (E.D. Tex. Aug. 8, 2008) (analyzing *McZeal* in light of *Twombly* and *Phonometrics*; noting "the Federal Circuit, applying the law of the Fifth Circuit, reaffirmed its holding in *Phonometric* in a post-*Bell Atlantic* decision"). Other district courts have simply failed to cite *McZeal* in analyzing the adequacy of a patent complaint's allegations in similar, if not identical, contexts. For example, in *Taurus IP, LLC v. Ford Motor Co.*, the district court granted the defendant's motion for a more definite statement where the complaint failed to identify the allegedly accused products with any specificity. 539 F. Supp. 2d. 1122, 1126-27, 86 U.S.P.Q.2d (BNA) 1655, 1658-59 (W.D. Wis. 2008). Although issued five months after *McZeal*, the decision did not cite the case. *See also* Static Control Components, Inc. v. Future Graphics, LLC, No. 07CV00007, 2008 WL 160827, at *2 (M.D.N.C. Jan. 15, 2008) (granting the defendant's motion for a more definite statement where plaintiff's accusation covered twelve enumerated software chips, but also went on to generally accuse "universal chips" covered by claims of the patent).

[48] *McZeal*, 501 F.3d at 1356, 84 U.S.P.Q.2d (BNA) at 1316.

that the district courts would apply in a more direct fashion. In other words, one could conclude that the Rule of Deference should point to Federal Circuit law for failure to state a claim analyses. However, the conclusion advocated by this paper is that the Rule—and its vast, non-navigable river of non-binding precedent—ought to be done away with.

II. THE HISTORICAL DEVELOPMENT OF THE RULE OF DEFERENCE

In order to understand the arguments for and against the Rule of Deference, it is helpful to start by looking at the origins of the Rule as explored by prior commentators.[49] Considering its substantial impact on the day-to-day practice of patent litigation, one of the more fascinating aspects of the Rule is its dubious parentage.

Putting aside the Federal Circuit's seminal decision in *South Corp. v. United States*,[50] the first suggestion from the court that it might need to choose an external source for a rule of federal law came in *Litton Systems, Inc. v. Whirlpool Corp*. in early 1984.[51] The court was reviewing a case on appeal from the District of Minnesota.[52] The underlying action contained both counts for patent infringement and a claim under § 43(a) of the Lanham Act.[53]

Without any prompting by the parties, the court noted an apparent conflict between the standards of review of the Eighth Circuit and the Federal Circuit for likelihood of confusion: the Eighth Circuit called the ultimate conclusion a finding of fact, the Federal Circuit determined it to be a conclusion of law.[54] The court observed that the Federal Circuit had not yet issued an opinion as to which circuit's rule should be followed in Lanham Act cases, and noted that the issue arose as a "pendant matter" under its appellate jurisdiction statute.[55]

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[49] *See, e.g.*, Schaffner, *supra* note 9, at 1180-91; Miller, *supra* note 20, at 313-19.

[50] 690 F.2d 1368, 1370, 215 U.S.P.Q. (BNA) 657, 658 (Fed. Cir. 1982) (adopting wholesale the body of law of its predecessor courts).

[51] 728 F.2d 1423, 1445, 221 U.S.P.Q. (BNA) 97, 110-11 (Fed. Cir. 1984).

[52] *Id.* at 1426, 221 U.S.P.Q. (BNA) at 100.

[53] *Id.*

[54] *Id.* at 1445, 221 U.S.P.Q. (BNA) at 110-11.

[55] *Id.*, 221 U.S.P.Q. (BNA) at 111.

Apart from this ambiguous reference to the non-exclusive nature of its jurisdiction on this issue, the court provided no explanation as to why the existence of a circuit conflict raised a choice-of-law question. The court did not question whether it had jurisdiction to decide the trademark issue under 28 U.S.C. § 1295(a). But the court, having identified a conflict in the regional circuits for a non-patent issue outside of its core, exclusive jurisdictional grant, simply assumed a choice-of-law question existed.[56] The court in *Litton* ultimately went on to conclude that it did not need to decide the "choice of law" question in that case, because the trial court had committed clear error in any event, warranting a reversal under either of the possible standards.[57]

The first application of the Rule to procedural issues came a few months later in *In re International Medical Prosthetics Research Associates,* a case in which the Federal Circuit found itself determining whether it would immediately hear an appeal of an order disqualifying counsel.[58] Oddly, the panel in *International Medical* inverted the approach taken by the panel in *Litton*. Where *Litton* asked the choice-of-law question without answering it, *International Medical* chose to apply the law of the regional circuit without ever articulating the issue as a federal choice-of-law question.[59] Without citation to *Litton*, the court simply launched into an argument in support of deference in procedural matters, thereby laying the foundation for the forthcoming rule:

> A need exists to avoid the wastefulness and uncertainty of bifurcated appeals and, at the same time, to maintain a uniformity of guidance available to individual district courts in such purely procedural matters as disqualification. Dealing

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56 As further discussed below, the Federal Circuit did not need to make this broad of an assumption. The reach of its *exclusive* jurisdiction need not inherently be conflated with choice-of-law and its authority to exercise "independent judgment" over a legal question (to use Professor Schaffner's term). One could reasonably view the two concepts—jurisdiction and judgment—as unconnected. The two might be practically "intertwined" for some purposes, such as with respect to non-patent substantive law issues, but it is misleading to assume that the one always requires the other. *See* Rogers, *supra* note 15, at 436; *see also* Schaffner, *supra* note 9, at 1881; Gambrell, *supra* note 16, at 140.

57 *Litton*, 728 F.2d at 1445, 221 U.S.P.Q. (BNA) at 111.

58 *In re* Int'l Med. Prosthetics Research Assocs., 739 F.2d 618, 619 (Fed. Cir. 1984).

59 *Id.* at 620.

> daily with such procedural questions in all types of cases, a district court cannot and should not be asked to answer them one way when the appeal on the merits will go to the regional circuit in which the district court is located and in a different way when the appeal will come to this circuit. That potential problem is obviated, however, when this court applies the same guidance previously made available by the circuit (here the Ninth) having authority over the district court under 28 U.S.C. § 1294.[60]

Accordingly, the court applied Ninth Circuit law both as to the availability of interlocutory appeals for disqualification motions and the ultimate standard of review on appeal.[61]

The first and, until the *Biodex Corp. v. Loredan Biomedical, Inc.* case years later,[62] most comprehensive articulation of the Rule of Deference occurred a few months later in *Panduit Corp. v. All States Plastic Manufacturing Co.*[63] *Panduit* marks a critical moment in the development of the Rule, and is fascinating for many reasons. The posture of the case was nearly identical to *International Medical*. A district court had granted a motion to disqualify counsel, and the aggrieved party immediately appealed pursuant to 28 U.S.C. 1295(a)(1).[64]

Again, just as in *International Medical*, the first question analyzed by the court was whether the order of disqualification was immediately appealable.[65] Unlike in *International Medical*, however, which looked to Ninth Circuit law on that issue, the *Panduit* court relied on the established law of its predecessor court, the Court of Customs and Patent Appeals, to conclude that the order was appealable.[66] While it did go on to note that the law of the Seventh Circuit was

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[60] *Id.*

[61] *Id.* at 620.

[62] *See* 946 F.2d 850, 857, 20 U.S.P.Q.2d (BNA) 1252, 1258 (Fed. Cir. 1991).

[63] 744 F.2d 1564, 1572-1576, 223 U.S.P.Q. (BNA) 465, 469-72 (Fed. Cir. 1984).

[64] *Id.* at 1571, 223 U.S.P.Q. (BNA) at 468.

[65] *Id.* at 1572, 223 U.S.P.Q. (BNA) at 469.

[66] *Id.*

consistent with the law of the CCPA on that point, the court by its own terms applied the CCPA law.[67]

Of particular interest in *Panduit*, the court commenced what it called a "Choice of Law" analysis only after it had already reached the conclusion of appealability by relying on CCPA law.[68] It began a new section of its opinion, under that title, with the unequivocal statement, "[a]fter considering the jurisdictional question, we *must* then decide the choice of law question."[69] A citation to *Litton*—where the court had made it appear that such a question must be asked—followed.[70]

What ensues is a lengthy explication of the Rule of Deference to law of the regional circuits in procedural matters. Arguing that Congress may not have foreseen the nature of the problem, the court begins with the proposition that if the Federal Circuit were to create its own body of federal procedural law, district court judges would be deciding basic procedural questions differently according to which circuit court would be receiving the appeal.[71] The court then offers an emphatic rejection of that practice: "Such bifurcated decisionmaking is not only contrary to the spirit of our enabling legislation but also the goal of the federal judicial system to minimize confusion and conflicts."[72]

The opinion provides no citation for that proposition.[73] It goes on to review the legislative history and identify a mandate to achieve uniformity in patent matters stemming from "Congress' abhorrence of conflicts and confusion in the judicial system."[74] Notably, however, the court never offers an explanation

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67 *Id.*

68 Professor Schaffner in her helpful history of the Rule first identified the odd way in which the Federal Circuit ignored any choice-of-law issue regarding the preliminary question of appealability in *Panduit*. Schaffner, *supra* note 9, at 1183.

69 *Panduit*, 744 F.2d at 1572, 223 U.S.P.Q. (BNA) at 469 (emphasis added).

70 *Id.*

71 *Id.* at 1573, 223 U.S.P.Q. (BNA) at 470.

72 *Id.*

73 *Id.*

74 *Id.* at 1574, 223 U.S.P.Q. (BNA) at 471.

as to why the Rule of Deference is consistent with congressional abhorrence of conflicts and confusion in the judicial system.[75]

Moving from the legislative history to "the general policy of minimizing confusion and conflicts in the federal judicial system," the court then identifies a practical concern underlying its choice-of-law decision.[76] Namely, were it not to adopt the Rule of Deference in procedural matters, the court would be forcing practitioners to practice law, and district court judges to make decisions, with "two different sets of law for an identical issue due to the different routes of appeal."[77] With this practical policy consideration articulated, the statement of the Rule itself follows: "the Federal Circuit shall review procedural matters, that

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[75] As further developed below, one could propose the opposite position: conflicts and confusion are reduced (and uniformity increased) by development of uniform rules to govern procedure in all patent cases. After all, if there were no Rule of Deference, when faced with conflicts in the regional circuits on an issue of federal procedure, the court would be choosing one circuit's view over another. This practice cannot be said to increase net conflict in the system unless the court finds no reasonable interpretation in the other twelve circuits and creates a wholly new interpretation. For this reason, the notion that applying another federal court's interpretation of federal law decreases conflict was expressly rejected in the *Korean Air Lines* case. *In re* Korean Air Lines Disaster of September 1, 1983, 829 F.2d 1171, 1175 (D.C. Cir. 1987) ("Application of *Van Dusen* in the matter before us, we emphasize, would not produce uniformity.").

[76] *Panduit*, 744 F.2d at 1574, 223 U.S.P.Q. (BNA) at 471.

[77] *Id.* This articulation of the rule is regularly associated with the dramatic and arresting images of a district court being forced to serve "two masters" or look "Janus-like, in two directions in its conduct." *See, e.g.*, Biodex Corp. v. Loredan Biomedical, Inc., 946 F.2d 850, 856, 20 U.S.P.Q.2d (BNA) 1252, 1257 (Fed. Cir. 1991) (linking same to *Panduit* policy of achieving uniformity). These loaded phrases, however, come from a different, slightly later, Federal Circuit case. *See* Atari, Inc. v. JS & A Group, Inc., 747 F.2d 1422, 1439, 223 U.S.P.Q. (BNA) 1074, 1087 (Fed. Cir. 1984) (en banc) (it "would be at best unfair to hold in this case that the district court, at risk of error, should have 'served two masters,' or that it should have looked, Janus-like, in two directions in its conduct of that judicial process"). Like most arresting images, these might also be more memorable than they are fair representations of the situation.

are not unique to patent issues, under the law of the regional circuit court where appeals from the district would normally lie."[78]

The court was quite clear that it viewed its adoption of the Rule of Deference as "a matter of policy."[79] The rule had no statutory, common law or even constitutional basis. It was perhaps to provide some legal support to its decision that, with the rule adopted and the policy articulated, the court ultimately reached out to *Erie* and its progeny:

> When we review procedural matters that do not pertain to patent issues, we sit as if we were the particular regional circuit court where appeals from the district court we are reviewing would normally lie. We would adjudicate the rights of the parties in accordance with the applicable regional circuit law. *Accord, In re International Medical Prosthetics Research Associates, Inc.*, 739 F.2d 618 (Fed. Cir. 1984). *Cf. Guaranty Trust Co. v. York*, 326 U.S. 99, 108-9, 65 S. Ct. 1464, 1469-70, 89 L. Ed. 2079 (1945) (for diversity jurisdiction purposes, a federal court is, in effect, only another court of the state). Where the regional circuit court has spoken on the subject, we must apply the law as stated. *Cf. Erie Railroad Co. v. Tompkins*, 304 U.S. 64, 78, 58 S. Ct. 817, 822, 82 L. Ed. 1188 (1938).[80]

Couched as a blueprint for implementation, the effect of this venerable citation is primarily—whether intended or not—to glaze the Rule with a historic and noble patina.

In mandating *Erie* as a guide, the court necessarily analogized its new policy of looking to regional circuit law to the deference federal courts must show state courts under *Erie*. By doing so, the court inflated what was at heart a simple, pragmatic decision about efficient decision-making into a lofty doctrine

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[78] *Panduit*, 744 F.2d at 1574-75, 223 U.S.P.Q. (BNA) at 471 (citations omitted). It is worth noting that by using the term "normally" to describe appeals to the regional circuit, the court essentially characterized appeals to the Federal Circuit as something abnormal. Perhaps underlying adoption of the Rule was the unspoken, maybe even unacknowledged, belief that the Federal Circuit was a bit too new and strange to be interpreting "normal" rules of practice.

[79] *Id.*

[80] *Id*. at 1575, 223 U.S.P.Q. (BNA) at 472.

of comity, due respect between sovereigns, and deference. At that moment, a convenient rule of practice became a sacred Rule of Deference. It should be no surprise, then, that subsequent panels would soon be concluding inquiries into the rule by noting solemnly, in the language of *Erie*, that "[n]o offense would be taken were we to apply the law of our circuit, with due regard for established regional circuit law . . . ."[81]

Finally, consider that both legal questions asked in *Panduit* and in *International Medical* had been addressed by the Court of Customs and Patent Appeals two years earlier in *Ah Ju Steel Co. v. Armco, Inc*.[82] *Ah Ju Steel* squarely held that orders disqualifying counsel were immediately appealable and applied a clearly erroneous standard to review what was assumed to be a factual dispute underlying the disqualification ruling.[83] But in *Panduit*, after citing *Ah Ju Steel* for the former holding, the court went on to limit the application of the case to appeals from the Court of International Trade and the Claims Court.[84] In other words, *Ah Ju Steel* was disregarded as controlling Federal Circuit precedent for patent litigations arising from the federal district courts.

III. THE DISREGARDED FOUNDATION: *SOUTH CORP.* AND THE PRINCIPLE OF COMPETENCE

A. South Corp. *and the Road Not Taken*

In *Panduit*, *International Medical*, and *Litton*, the Federal Circuit treated the choice-of-law issue as though it were writing on a blank slate.[85] This allowed the court to ground its decision in policy considerations, with little if any reference to legal precedent. Similarly, the only theoretical foundation offered in *Panduit* was *Erie* and its progeny, which, as discussed below, is a highly inapposite doctrine.

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81 *Biodex*, 946 F.2d at 858, 20 U.S.P.Q.2d (BNA) at 1259. The inaptness of the *Erie* analogy is elaborated below.

82 680 F.2d 751, 753 (C.C.P.A. 1982).

83 *Id.* at 752-53.

84 *Panduit*, 744 F.2d at 1574, 223 U.S.P.Q. (BNA) at 471.

85 In its defense, the Federal Circuit was, in many ways, a unique experiment in specialized appellate courts. It remains the only circuit court in the U.S. system with appellate jurisdiction based on subject matter rather than geography. Thus, there was ample justification for looking at the foundational choice-of-law issue as *sui generis*.

By focusing narrowly on the absence of choice-of-law precedent, however, the court seems to have overlooked its more general precedent that should have been the starting point for such a meaningful decision. It missed the forest for the trees. The natural place for the court to have launched any examination into the source for legal authority should have been its first ever opinion in *South Corp. v. United States*.[86]

Sitting en banc in *South Corp.*, the Federal Circuit formally adopted an established body of law as precedent; namely the body of law represented by the holdings of its predecessor courts, the Court of Claims and the Court of Customs and Patent Appeals.[87] While the *South Corp.* panel partly justified its decision on the basis that the substantive law of these predecessor courts was "most applicable" to the jurisdiction of the Federal Circuit, it nowhere limited its holding to substantive rules of decision.[88] Rather it simply adopted the entire body of law as precedent.[89]

The court in *South Corp.* was expressly aware that the body of law it was adopting did not have an answer to every question with which the Federal Circuit would be confronted. For example, the predecessor courts did not handle patent infringement trials between two private parties.[90] Yet, it specifically declined to adopt any other circuit's law as precedent to fill in the gaps:

> In those areas new to this court, selection of one from many available bodies of law would require an immediate rush to resolution of numerous conflicts existing among them; yet resolution of conflict, a major element in this court's mission, requires not a one-shot selection but a careful, considered, cautious, and contemplative approach.[91]

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86 690 F.2d 1368, 215 U.S.P.Q. (BNA) 657 (Fed. Cir. 1982).

87 *Id.* at 1370, 215 U.S.P.Q. (BNA) at 658.

88 *Id.*

89 *Id.*

90 The United States Court of Claims did preside over patent infringement litigations with the United States as defendant. *See, e.g.*, Hughes Aircraft Co. v. United States, 640 F.2d 1193, 1193, 208 U.S.P.Q. (BNA) 785, 786 (Ct. Cl. 1980); Custer v. United States, 622 F.2d 554, 556, 203 U.S.P.Q. (BNA) 784, 785 (Ct. Cl. 1980).

91 *South Corp.*, 690 F.2d at 1371, 215 U.S.P.Q. (BNA) at 658.

Thus, *South Corp*. struck a thoughtful balance between predictability (through the adoption of a body of precedential holdings) and flexibility (through its refusal to commit itself in other areas where the predecessor courts had not yet reached a decision). *South Corp.* was not cited let alone distinguished in *Panduit*, *Litton* or *International Medical.*

In the Federal Circuit's first two years, its decisions quietly followed *South Corp.* both with respect to decisions for which there was a precedent from the predecessor courts,[92] and those for which there was no precedent, to which the court applied its own best interpretation of federal law. For example, as pointed out by Charles Gholz in an early article on the choice-of-law issue,[93] in *American Hoist & Derrick v. Sowa & Sons, Inc.* a panel of the Federal Circuit confronted for the first time the question of whether an antitrust plaintiff needed to plead or prove the relevant market.[94] The Circuits appeared split at the time, with the "Ninth Circuit view" (also the region in which the case originated) having been largely rejected by other circuits.[95] After reasoning its way through the issue, the Federal Circuit rejected the Ninth Circuit view, and chose to adopt the law of the other regional circuits as the better option.[96]

Indeed, the early cases followed roughly the same approach in matters that would surely, under the current Rule of Deference regime, have been considered procedural and demanded deference to regional circuit interpretations of the Federal Rules. For example, when confronted with an appellant's arguments that a district court wrongly curtailed its discovery, the Federal Circuit simply applied (without citation) an abuse of discretion standard to affirm the district court's actions.[97] By contrast, under the current case law, the court would need to first identify and import the standard for reviewing a

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[92] *See, e.g.*, D.L. Auld Co. v. Chroma Graphics Corp., 714 F.2d 1144, 1150, 219 U.S.P.Q. (BNA) 13, 18 (Fed. Cir. 1983) (citing a Court of Claims holding for the proposition that, with respect to the on-sale bar, it is irrelevant whether a sale is actually completed).

[93] Gholz, *supra* note 18, at 310.

[94] 725 F.2d 1350, 1366-67, 220 U.S.P.Q. (BNA) 763, 776 (Fed. Cir. 1984).

[95] *Id.* at 1367, 220 U.S.P.Q. (BNA) at 776.

[96] *Id.*

[97] Deere & Co. v. Int'l Harvester Co., 710 F.2d 1551, 1558, 218 U.S.P.Q. (BNA) 481, 486 (Fed. Cir. 1983).

discovery decision from the law of the regional circuit before beginning its analysis.[98]

Thus, under the Federal Circuit's own precedent, established by the en banc court in *South Corp.*, and applied silently by panels in subsequent cases over the Federal Circuit's first two years, there were no explicit choice-of-law questions regarding federal law. Indeed, between *South Corp.* and *Litton*, there was not a single published opinion that even used the term "choice-of-law." Yet procedural issues, as opposed to non-patent substantive law issues, surface in nearly every appeal. The procedural law was either found in the holdings of the predecessor courts, or it was determined by the Federal Circuit—giving due but non-binding consideration to other legal authorities—on an issue-by-issue basis.[99]

B. *The Principle of Competence and the Theoretic Uniformity of Federal Law*

Just as the Federal Circuit overlooked natural precedent in developing its Rule of Deference, it also rooted its theoretical analysis in strange soil. As discussed above, the Federal Circuit's conceptual baseline for the Rule of Deference assumed that a conflict between circuits raised a choice-of-law question. The starting point for any analysis, however, should have assumed the contrary—that it is unnatural to ask a choice-of-law question in the federal appellate system.

Conflicts between circuits occur all the time, but conflicts between circuits rarely raise choice-of-law questions as such. Rather, when a regional

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[98] *See, e.g.,* Haworth, Inc. v. Herman Miller, Inc., 998 F.2d 975, 977, 27 U.S.P.Q.2d (BNA) 1469, 1471 (Fed. Cir. 1996) (importing a four factor test and language of standard from the Seventh Circuit's abuse of discretion inquiry into discovery matters); Solarex Corp. v. Arco Solar, Inc. v. Am. Physical Soc'y, 870 F.2d 642, 643, 10 U.S.P.Q.2d (BNA) 1247, 1248 (Fed. Cir. 1989) (importing the Second Circuit's discovery review standard requiring a "clear showing of abuse of discretion"). While a preliminary choice-of-law analysis in *Deere* might (indeed, almost certainly would) have achieved the same ultimate result, the route taken was far more direct.

[99] Later panels, such as those in *Panduit*, *International Medical*, and *Litton*, could not, of course, overrule *South Corp*. A precedential holding of the Federal Circuit, whether sitting en banc or not, cannot be overruled by a subsequent three judge panel. *See* Vas-Cath Inc. v. Mahurkar, 935 F.2d 1555, 1563, 19 U.S.P.Q.2d (BNA) 1111, 1117 (Fed. Cir. 1991).

circuit court acknowledges a conflict with another circuit's interpretation of federal law, it will either stand by its own view despite the conflict, or adapt its view to resolve the conflict.[100] In the absence of statutory mandates or other unusual circumstances, however, it will not make a "choice" as to which circuit's law to follow when it has appellate jurisdiction over an issue or case.[101] As discussed more fully below, one scholar has called it "logical nonsequitur" for a federal court to even ask such a question in a system of uniform federal law emanating from one sovereign.[102]

Indeed, in 1984, the same year that the Federal Circuit was developing its Rule of Deference, and two years after the court issued its decision in *South Corp.*, Professor Richard L. Marcus was articulating a historic principle of federal appellate review fundamentally at tension with the Rule of Deference. Confronting the question of which regional circuit's law should apply in litigation transferred pursuant to 28 U.S.C. § 1404(a), that of the transferee's or the transferor's circuit, Professor Marcus derived the answer from what he identified as the "principle of competence."[103]

For Professor Marcus, any choice-of-law analysis in the federal appeals system must always begin with the basic principle that every court of appeals is competent to decide issues of federal law correctly.[104] This flows inherently from the stacked triangle hierarchical structure of federal appellate review created by the Evarts Act of 1891.[105] Professor Marcus's point was captured in the Seventh

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[100] *See, e.g.*, Koninklijke Philips Elecs. N.V. v. KXD Tech., Inc., 539 F.3d 1039, 1043-44, 87 U.S.P.Q.2d (BNA) 1683, 1686 (9th Cir. 2008) (declining to follow Eleventh Circuit view as to interlocutory appealability of certain contempt orders and providing justifications for same).

[101] The unique subject-matter-based appellate jurisdiction of the Federal Circuit might recommend a hybrid solution that borrows from both concepts in certain cases, however, that does not change the baseline or justify any theoretical conflating of circuit conflict with choice-of-law.

[102] Robert A. Ragazzo, *Transfer and Choice of Federal Law: The Appellate Model*, 93 MICH. L. REV. 703, 736 (1995).

[103] Richard L. Marcus, *Conflicts Among Circuits and Transfers Within the Federal Judicial System*, 93 YALE L.J. 677, 701-02 (1984).

[104] *Id.*

[105] *Id.* at 702.

Circuit's early pronouncement that appellants are literally "entitled to our independent consideration and judgment," rather than that of other circuits.[106]

At the core of the principle of competence is the theoretical commitment to a uniform federal law. Splits between the regional circuits can and do occur. These, however, are *not* regional variations in the federal law itself, but rather varying interpretations of a uniform law. Thus, Professor Marcus also articulated a corollary proposition: there is no entitlement to one circuit's interpretation of federal law.[107] As the Second Circuit put it: "The federal courts comprise a single system applying a single body of law, and no litigant has a right to have the interpretation of one federal court rather than that of another determine its case."[108] The point is for each appellate court to try to apply correctly the uniform law, until, of course, any interpretive split is theoretically settled by the Supreme Court.[109] Deference has no place in a scheme where every court is competent and the parties possess no entitlement to one circuit's interpretation.

But what about *Erie* and the principles of deference articulated in that venerable body of law? *Erie*, under Professor Marcus's view, has no relevance in a purely federal law analysis.[110] *Erie* articulated the principle that federal courts are not competent to review state law.[111] From this principle flows a natural rule of deference. An incompetent court must defer to a competent one. However, that principle has no application to federal choice-of-law questions, as every court of appeals with appellate jurisdiction is not only competent, but required, to interpret federal law.[112]

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106 *Id.* at 703 (quoting Heckendorn v. United States, 162 F. 141, 143 (7th Cir. 1908)).

107 Marcus, *supra* note 103, at 702-03.

108 H.L. Green Co. v. MacMahon, 312 F.2d 650, 652 (2nd Cir. 1962) (quoted in Marcus, *supra* note 103, at 706).

109 *Cf*. Henry J. Friendly, *The "Law of the Circuit" and All That*, 46 ST. JOHN'S L. REV. 406, 412 (1972) ("However pleasant it would be to share Judge Parker's anticipation that all circuits will decide a question of federal law the same way or be corrected by the Supreme Court if they don't, such a view is mere wishful thinking.").

110 Marcus, *supra* note 103, at 694.

111 *See* Erie R.R. Co. v. Tompkins, 304 U.S. 64, 78-79 (1938).

112 *See* Marcus, *supra* note 103, at 706-09.

With the principle of competence established, and *Erie* distinguished, it was not difficult for Marcus to balance a few remaining factors, and arrive at the conclusion that a transferee court should apply the law of the regional circuit where it sits.[113] "Since the principle of competence is a starting point, a substantial showing should be required to justify overriding it, and there appears to be no reason to do so."[114] This is true regardless of the fact that at the same time a transferee court, following *Erie*, will be applying the *state* law of the state in which the transferor court sits.[115]

Professor Marcus's article is no academic relic. To the contrary, his principle of competence was embraced with exuberance by the federal courts. Indeed, it was adopted by then-Judge Ginsburg as the foundation for her seminal opinion for the D.C. Circuit in the *Korean Air Lines* case.[116] In that Multidistrict Litigation case, several cases pending in different federal districts (including some districts in the Second Circuit) were transferred to the District Court for the District of Columbia for consolidated pretrial proceedings.[117] The district court ruled in a manner contrary to Second Circuit precedent.[118] On appeal, the D.C. Circuit considered whether the district court was bound to follow the Second Circuit's precedent, at least with respect to those cases originating in federal districts within the Second Circuit.[119]

The D.C. Circuit held that the district court was not bound by Second Circuit precedent.[120] In doing so, it held that the longstanding *Van Dusen v. Barrack* rule that a transferee court must apply the *state* law of the transferor's district does not apply to matters of *federal* law.[121] Relying heavily on Professor

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113 *Id.* at 709.

114 *Id.* This is true for both federal substantive and federal procedural law. Indeed, Professor Marcus cites the avoidance of Erie's substance v. procedure swamp as a reason not to apply the transferor court's law at all.

115 *See Van Dusen v. Barrack*, 376 U.S. 612, 639 (1964).

116 *In re* Korean Air Lines Disaster of September 1, 1983, 829 F.2d 1171, 1174 (D.C. Cir. 1987).

117 *Id.* at 1172.

118 *Id.*

119 *Id.* at 1173.

120 *Id.*

121 *Id.* at 1173-76.

Marcus's scholarship, the court began by stressing that *Erie* principles informing the *Van Dusen* rule do not apply in the latter situation.[122]

Because the question as applied to federal law does not implicate the policies underlying *Erie*, one must look behind *Erie* to the baseline rule to which *Erie* was the exception. That is, one must look to the principle of competence and the theoretic uniformity of federal law:

> For federal courts, the most significant choice of law difference between issues of state law and issues of federal law is that they lack competence to develop rules of decision for the former and are presumptively competent to decide the latter. The federal courts have not only the power but the duty to decide issues of federal law correctly. . . . If a federal court simply accepts the interpretation of another circuit without independently addressing the merits, it is not doing its job. . . . Indeed, because there is ultimately a single proper interpretation of federal law, the attempt to ascertain and apply diverse circuit interpretations simultaneously is inherently self-contradictory. Our system contemplates differences between different states' laws; thus a multidistrict judge asked to apply divergent state positions on a point of law would face a coherent, if sometimes difficult, task. But it is logically inconsistent to require one judge to apply simultaneously different and conflicting interpretations of what is supposed to be a unitary federal law. . . . The federal courts spread across the country owe respect to each other's efforts and should strive to avoid conflicts, but each has an obligation to engage independently in reasoned analysis.[123]

While Judge Ginsburg was writing about a district judge sitting as a Multidistrict Litigation court, it is equally illogical for the judges of the Federal Circuit to continuously "apply simultaneously different and conflicting interpretations of what is supposed to be a unitary federal law."[124] Even if the federal law at issue is the Federal Rules of Civil Procedure, as opposed to a substantive statute, federal appellate courts, per *Korean Air Lines*, should always

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122 *Id.* at 1174-76.

123 *Id.* at 1175-76 (citations omitted).

124 *Id.* at 1176.

engage in independently reasoned analysis where they have jurisdiction. It is the role of the Supreme Court to reconcile the divergent views.[125]

Further academic scholarship also reaffirms and builds off of Professor Marcus's principle of competence. For example, arguing that the venue of appeal should determine choice-of-law for district courts on federal issues in transfer cases (the "appellate model"), Professor Robert Ragazzo found himself in agreement with Marcus's basic position that "in the absence of controlling authority, every court generally has the capacity and the duty to apply its best view of federal law."[126] For Ragazzo, the competence approach is just a part of the explanation, with the other key determinant being the practical efficiencies of following the rules as set by the known decision maker.[127]

As it was to Marcus, a key aspect of the pragmatic "appellate model" approach for Ragazzo is the theoretical uniformity of federal law under a single sovereign.[128] Ragazzo makes the point even more bluntly: "Asking a choice of law question with respect to federal issues is a logical non-sequitur."[129] Rather, all the circuits are, or at least should be, working in parallel to develop the law as perfectly as possible, however imperfect it is in fact. For the system to function, every federal court must "accept the myth of a uniform federal law."[130]

In her early investigation of the court, Professor Dreyfuss was one of the first authors to link the principle of competence to a critique of the Federal Circuit's choice-of-law regime.[131] Professor Schaffner, however, writing shortly after Ragazzo, offers the first extended treatment of the subject.[132] Indeed, upon review of the principle, she finds that "there is a strong presumption that the Federal Circuit should exercise independent judgment on all issues over which it has jurisdiction and not limit independent judgment to only those issues within its exclusive jurisdictional grant."[133] Accordingly, she strongly criticizes the

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[125] *Id.*

[126] Ragazzo, *supra* note 102, at 729.

[127] *Id.* at 743.

[128] *Id.* at 740-43.

[129] *Id.* at 736.

[130] *Id.* at 738.

[131] Dreyfuss I, *supra* note 15, at 38-39, n.219.

[132] Schaffner, *supra* note 9, at 1206.

[133] *Id.*

current scheme with respect to substantive issues.[134] Nevertheless, she ultimately concludes that the Federal Circuit should continue to defer in matters of procedure—even more so than it does now—primarily because doing so does not impact the patent-related primary activities of the parties and doing otherwise would interfere too greatly with administration of the district courts.[135]

Finally, in her second study on specialization in the Federal Circuit, Professor Dreyfuss also confronts the principle of competence in the context of that court's choice-of-law rules:

> From a theoretical perspective, the entire notion of 'circuit law' and 'choice-of-circuit-law rules' makes little sense. As Justice Brandeis said, 'law ... does not exist without some definite authority behind it.' The authority underlying patent law is the *United States*; circuit courts are not sovereigns in the sense that they have authority to impose their notions of law on non-hierarchically related bodies. Of course, circuit courts do have the authority to interpret law and to develop common law to fill interstices in legislation, but it was firmly settled in early interpretations of the Evarts Act that each circuit's decisions are made independently of the jurisprudence of the others.[136]

Professor Dreyfuss thus appears to agree that the principle of competence and theoretical uniformity of federal law are fundamentally in tension with inter-circuit deference.

The analogy between choice-of-law for federal transfer doctrine and appellate review in the Federal Circuit is not perfect. The important point, however, is not these authors' conclusions in a particular case, but rather their underlying rationale. Any federal choice-of-law analysis must begin with the principle of competence as a baseline, and then justify any deviations from the principle, whether statutory or purely pragmatic. It must also at least

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[134] *Id.* at 1208.

[135] *Id.* at 1217-18. As detailed below, this approach understates the harm caused by the Rule of Deference in procedural matters. It is in matters of procedure where federal appellate guidance is most absent and needed, and where the balance most heavily weighs against deference.

[136] Rochelle Cooper Dreyfuss, *The Federal Circuit: A Continuing Experiment in Specialization*, 54 CASE W. RES. L. REV. 769, 789 (2004) (citations omitted) [hereinafter "Dreyfuss II"].

acknowledge the myth of the uniformity of federal law as a key underpinning of the federal system of appellate review.

The Federal Circuit's Rule of Deference is a clear deviation from the principle of competence. By applying the Rule, the court is systematically refusing to interpret a question of federal law presented before it, regardless of its appellate jurisdiction to review the issue. Moreover, the Rule deviates from the commitment to a theoretically uniform federal law. It inherently promotes and respects regional variations in interpretation of federal law, as though those conflicting interpretations were state law differences entitled to deference.[137] Nor can it be compared to *Erie*, as the Rule of Deference, like the transfer doctrine, invokes only one theoretically uniform body of law, federal law, emanating from a single sovereign.[138] It is also, as previously indicated, a departure from the Federal Circuit's own precedent.

Thus, the remainder of this article investigates whether the arguments advanced for the exception could have overcome the presumption against deference had such a presumption been applied in the first instance.

IV. THE ARGUMENTS FOR AND AGAINST THE RULE OF DEFERENCE

A. *Convenience and Inconvenience*

Reduced to its essentials, the Rule of Deference is essentially a rule of convenience. Due to the structure of the federal court system, federal district

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137 Professor Schaffner, by contrast, appears to suggest that the Federal Circuit's choice-of-law scheme is actually too preoccupied with uniformity, a position she rebuts by noting that uniformity is only a "myth." Schaffner, *supra* note 9, at 1195. This may overstate the flaw in the court's reasoning. The point is not that the Federal Circuit is trying too hard to unify the federal law in its pursuit of a myth, but rather that in the name of uniformity its scheme actually embraces regional variation and directly undermines the myth. Indeed, as Professor Schaffner goes on to point out, the appellate system works towards uniformity by forcing each appellate court to interpret the law without deference to its sister circuits, thereby "percolat[ing]" various perspectives and "enhanc[ing] the dialogue" until the law is ultimately settled by agreement or reconciliation by the Supreme Court. *Id.* at 1196, 1199.

138 *See* Dreyfuss I, *supra* note 15, at 36 (arguing that *Erie* questions are not equivalent to Federal Circuit choice-of-law questions); *see also* Schaffner, *supra* note 9, at 1224.

court judges and practicing attorneys are naturally familiar with the rules of procedure as applied in their home districts. Day-to-day usage makes application of the procedural rules almost second nature to judges and practitioners, in much the same way that it is second nature to stop at a red light while driving. Just as it would severely hinder traffic to force each motorist to deliberate each time she comes to a stoplight, it would greatly hinder civil practice in the district courts to force judges and attorneys to deliberate over each and every procedural decision.

This is a real concern. Judges, of course, do not and cannot as a practical matter turn to the law books to decide every procedural motion. The great advantage of familiarity is efficiency, and it would be hopelessly inefficient to force federal district court judges (and their clerks) to relearn every rule of procedure anew for patent cases. The same holds true for practitioners.

However, the reality of such a threat is likely overstated. First, because the Federal Rules of Civil Procedure are uniform across districts, the vast majority of procedural decisions made in the federal system are not impacted by the location of the district court. Meaningful conflicts among regional interpretations of matters concerning federal procedure are the exception, not the rule. To the extent that conflicts in interpretation do exist, moreover, it is rare that they are material. In the unusual case where an actual meaningful conflict in the interpretation of the same rule of procedure exists it would also be on the attorneys to notice and raise it in the hectic swirl of litigation.

Second, many applications of the Rule of Deference occur when the Federal Circuit determines what standard of appellate review (i.e., how much deference) to give the decision of the district court.[139] The governing standard on appeal, however, should have little impact on the district court's initial opinion.[140] There is little to no efficiency or policy justification for giving

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[139] *See, e.g.*, Sulzer Textil A.G. v. Picanol N.V., 358 F.3d 1356, 1363, 69 U.S.P.Q.2d (BNA) 1961, 1966 (Fed. Cir. 2004) (looking to Fifth Circuit law to determine the appellate deference given to the decision to grant or deny a motion for a new trial, to evidentiary rulings, and to a motion for attorneys fees).

[140] Some district court rulings are perhaps influenced by the standard of review the decision will be receiving on appeal. For example, a judge may be more willing to risk endorsing a new or speculative legal theory if the judge is confident it will be reviewed de novo by the appellate court. It is not clear, however, that the law should encourage that type of decision-making. In

consideration to the amount of deference a regional circuit gives to lower court decisions. Indeed, it is difficult to put forward any reason why the Federal Circuit should look to another circuit simply for a standard of review.

Third, as Charles Gholz pointed out over twenty years ago, contemporary patent litigation practitioners tend to practice nationally.[141] Look at the top of a district court opinion in a patent case, and you will usually find that the legal teams consist of regionally diverse groups of lawyers from all over the country. It is somewhat ironic, as well as a bit disingenuous, to maintain the Rule of Deference for the benefit of practitioners who themselves have no sense of geographic boundaries. Indeed, as discussed just below, to most patent litigation practitioners the immense inconvenience of attempting to parse the controlling law on procedural matters in patent cases surely makes the Rule more of a burden than a benefit.

Fourth, the existence, increasing popularity, and arguable success of local rules of patent procedure suggest that procedural rules unique to patent cases are being assimilated without any significant difficulty by district court judges and practitioners alike.[142] Logically enough, the Federal Circuit has held that issues concerning the validity and interpretation of such local rules are "intimately involved in the substance of enforcement of the patent right," and must be governed by the law of the Federal Circuit.[143] Thus, in the districts which have adopted local patent rules, there is already a de facto rejection of the

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any event, it is difficult to imagine an instance where even that type of decision-making would be made more efficient by the Rule of Deference.

141 Gholz, *supra* note 18, at 316.

142 As of January, 2009, the following districts were following local patent rules in patent cases: N.D. Cal., S.D. Cal., N.D. Ga., W.D. Pa., E.D. Tex., S.D. Tex. and E.D. Mo (for cases before Judge Charles A. Shaw). This includes 2 of the 5 leading courts for volume of pending patent cases (N.D. Cal and E.D. Tex). *See* Administrative Office of the United States Courts, *2007 Annual Report of the Director: Judicial Business of the United States Courts*, Washington, D.C.: U.S. Government Printing Office, 2008, at 30, http://www.uscourts.gov/judbus2007/JudicialBusinespdfversion.pdf (last visited Feb. 8, 2009). Moreover, numerous other districts have passed individual local rules specific to patent litigation practice. Some, as in the District of Massachusetts, provide recommended schedules for patent cases. *See* D. MASS. R. 16.6.

143 O2 Micro Int'l. Ltd. v. Monolithic Power Sys., Inc., 467 F.3d 1355, 1364, 80 U.S.P.Q.2d (BNA) 1769, 1775 (Fed. Cir. 2006).

Rule of Deference with respect to the key procedural rules in a patent case. There does not appear to be any evidence that the courts and the bar have found themselves unable to accommodate this regime.[144]

Finally, any analysis of convenience must consider the inconvenience of including a choice-of-law analysis in so many of the questions that arise in day-to-day patent litigation practice. As seen in the opinions following *McZeal*, this burden is real, and can lead to countless hours spent attempting to decipher what law to apply in a given situation, and how to apply it.[145] This real cost is born both by litigants and by the courts. Simply put, choice-of-law questions tend to be some of the hardest around. Why add a layer of complexity and expense to legal analysis unless it is truly needed?[146]

B. *The Congressional Purpose and Legislative History*

The court in *Panduit*, and many other panels and commentators, have articulated Congress's purpose in creating the Federal Circuit as providing a

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144 *See* Dreyfuss I, *supra* note 15, at 45-46 (acknowledging the feasibility of one court applying another court's procedures).

145 *See, e.g.*, CBT Flint Partners, LLC v. Goodmail Sys., Inc., 529 F. Supp. 2d 1376, 1377 (N.D. Ga. 2007); Taltwell, LLC v. Zonet USA Corp., No. Civ. 3:07cv543, 2007 WL 4562874, at *13-14 (E.D. Va. Dec. 20, 2007).

146 One other argument occasionally put forward in favor of deference is the uncertainty, existing early in litigation, as to whether the Federal Circuit or a regional circuit will hear any later appeal. If a district court does not know which court will hear the appeal, how can it know which set of rules to follow? Such a problem, the argument goes, would be eliminated were the rules uniform between the respective appellate courts. Under the narrow understanding of the well-pleaded complaint rule adopted by the Supreme Court for determining Federal Circuit jurisdiction, however, it should be quite clear from the outset of litigation which court will hear the appeal. *See* Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 831, 62 U.S.P.Q.2d (BNA) 1801, 1804 (2002) (touting "the clarity and ease of administration of the well-pleaded-complaint doctrine, which serves as a 'quick rule of thumb' for resolving jurisdictional conflicts"). Thus, uncertainty will rarely if ever arise as to which court will hear any appeal. Moreover, this problem does not appear to have arisen for those issues, such as personal jurisdiction, for which the Federal Circuit already applies its own law.

"forum that will increase doctrinal stability of patent law."[147] This raises two questions. First, assuming that this is a fair statement of congressional policy, does the Rule of Deference actually further this policy? Second, is this a complete statement of congressional policy?

Assuming that Congress's primary goal was to increase uniformity in the patent law, it is not clear how the Rule of Deference furthers this goal. It is true that the Rule as applied assures that a new conflict is not created between the Federal Circuit's interpretation of a procedural rule, and the interpretation of another circuit. However, it does nothing to reconcile any conflicts between the circuits with respect to that rule. In fact, where a conflict between circuits does exist, the Rule actually forces the Federal Circuit to refrain from resolving the conflict.

The only uniformity it promotes is between the decision reached by the Federal Circuit as to a procedural issue and the decision that one would predict under the pertinent regional circuit's treatment of that same issue. That, however, is the exact sort of "uniformity" Congress was trying to avoid by consolidating appeals from different geographic regions in one place.[148] In all, the Rule simply perpetuates the status quo—including the perpetuation of existing conflicts—in procedural matters. It does not increase uniformity as intended by Congress.

Indeed, as pointed out by Professor Schaffner, uniformity is a relative term dependent upon how one defines the compared communities.[149] For instance, although the Rule of Deference might promote uniformity between an appeal going to a regional circuit from a district court and one going to the Federal Circuit from the same court, the Rule actually creates a palpable lack of uniformity between two different appellants before the Federal Circuit. Two consecutive appeals concerning an identical issue can theoretically be disposed of completely differently by the Federal Circuit depending on the district courts where the respective cases originated.

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[147] Panduit Corp. v. All States Plastic Mfg. Co., 744 F.2d 1564, 1573, 223 U.S.P.Q. (BNA) 465, 470 (Fed. Cir. 1984) (quoting S. REP. NO. 97-275, at 5 (1981), *as reprinted in* 1982 U.S.C.C.A.N. 11, 15).

[148] *Id.* at 1574 ("The fundamental underpinning for uniformity was Congress' abhorrence of conflicts and confusion in the judicial system.").

[149] Schaffner, *supra* note 9, at 1207-08 (discussing relativity of the term "uniformity").

Perhaps the more important point, often somewhat foreign and lost to contemporary practitioners, is that Congress was not simply fixated on normalizing the patent law when it created the Federal Circuit.[150] Rather, the Senate Report for the Federal Courts Improvement Act of 1982 (the "FCIA") reveals a Congress focused more generally on institutional failures: "the myriad structural[,] administrative and procedural problems" in the federal courts.[151] Numerous conflicts were arising in the federal system due to the fact that a decision of any one of the twelve regional circuits was not binding on the others. This led to long term conflict and uncertainty across federal law, in part because of the backlog in the Supreme Court, the one body positioned to reconcile conflicts among the circuits.[152] This is captured in a short and unequivocal statement in the Senate Report: "The difficulty here is structural."[153] As pointed out by Professor Dreyfuss, while Congress rejected the most extreme recommendation of the Hruska Commission to create an appellate court to handle cases referred by the Supreme Court, the Federal Circuit was something of a more limited substitute.[154] Or, in the words of Charles Adams in his 1984 study of the legislative history, it was a "political compromise."[155]

The new legislation initially arose out of a decades-long effort to solve a simple structural problem in the courts of appeal: "to provide reasonabl[e,] quick and definitive answers to legal questions of nationwide significance," and to "reduc[e] the number of decision-making entities within the federal appellate system."[156] It was not initially framed as just a cure for patent law confusion, but rather "to fill a void in the judicial system by creating an appellate forum capable of exercising nationwide jurisdiction over appeals in areas of the law where

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150 *See generally* Charles W. Adams, *The Court of Appeals for the Federal Circuit: More than a National Patent Court*, 49 MO. L. REV. 43 (1984).

151 S. REP. NO. 97-275, at 1, 1982 U.S.C.C.A.N. at 11.

152 The House Report is equally directed first to a "crises" in the "federal appellate system." H.R. REP. NO. 97-312, at 17 (1981).

153 S. REP. NO. 97-275, at 3, 1982 U.S.C.C.A.N. at 13.

154 *See* Dreyfuss I, *supra* note 15, at 6. The Hruska Commission provided one of the numerous recommendations considered by Congress in preparing the legislation.

155 Adams, *supra* note 150, at 60.

156 S. REP. NO. 97-275, at 3, 1982 U.S.C.C.A.N. at 13; *see also* Adams, *supra* note 150, at 46-60 (describing failed attempts at general appellate reforms prior to the FCIA).

Congress determines there is a special need for nationwide uniformity."[157] This void would be filled because, as pointed out elsewhere, "[d]ecisions of this court will have precedential effect throughout the country."[158]

Only after the general structural problem has been identified and an institutional solution established in the form of an appellate court with nationwide jurisdiction do the Senate and House Reports both identify patent law as a first substantive area in which Congress has chosen to "improve" the administration of the law.[159] The problem of patents, although very real, and very much of interest to Congress and its advisors, was only an acute example of the larger structural problems thought to be plaguing the federal appellate system. Indeed, the original proposal for the Federal Circuit had the court hearing environmental and civil tax appeals,[160] and even now its docket includes a broad range of appeals completely unrelated to patents.[161]

Underlying the choice of patent law as a good place to start standardizing the federal law was the perceived plague of forum shopping in that area. The ubiquitous villain of choice-of-law analysis was indeed put forward in the Senate and House Reports as a justification for the Federal Circuit.[162] Specifically, Congress recognized a concern that patent cases filed in one geographic region of the country were being resolved differently from patent

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157 S. REP. NO. 97-275, at 2, 1982 U.S.C.C.A.N. at 12.

158 *Id.* at 2-4, 7, 1982 U.S.C.C.A.N. at 12-14, 17; H.R. REP. NO. 97-312, at 20 (1981).

159 S. REP. NO. 97-275, at 2, 1982 U.S.C.C.A.N. at 12. This is largely the result of the report of the Hruska commission, which singled out patent law as a good place to start applying the structural fix offered by the Federal Circuit. *Id.* at 5, 1982 U.S.C.C.A.N. at 15.

160 Adams, *supra* note 150, at 60.

161 According to numbers provided by the Federal Circuit's website, "The court's jurisdiction consists of administrative law cases (55%), intellectual property cases (31%), and cases involving money damages against the United States government (11%). The administrative law cases consist of personnel and veterans claims. Nearly all of the intellectual property cases involve patents. Suits for money damages against the United States government include government contract cases, tax refund appeals, unlawful takings, and civilian and military pay cases." FEDERAL CIRCUIT: ABOUT THE COURT, ¶ 2 (2008), http://www.cafc.uscourts.gov/about.html (last visited Feb. 8, 2009).

162 S. REP. NO. 97-275, at 5, 1982 U.S.C.C.A.N. at 15; H.R. REP. No. 97-312.

cases filed in another. The Senate Report, for example, cites to the Hruska Commission patent consultants' pointed conclusion that "forum-shopping on the scale that occurs in patent law increases the cost of litigation and 'demeans the entire judicial process.'"[163] The Federal Circuit, by eliminating regional differences and the resulting forum advantages, would lessen that problem.

While Congress took ample testimony and reviewed a substantial number of recommendations on the problems with patent law,[164] the congressional reports are generally quiet as to what aspects of patent law Congress wished to unify.[165] The limited evidence available suggests that Congress's reach was not limited only to substantive patent law, but to patent litigation procedure as well.[166] For example, the House Report states that not only will the new court provide nationwide uniformity in patent law, but it "will make the rules applied in patent litigation more predictable."[167] It also laments that under the current regime,

> [e]ven in circumstances where there is no conflict as to the actual rule of law, the courts take such a great variety of approaches and attitudes toward the patent system that the application of the law to the facts of an individual case produces unevenness in the administration of the patent law.[168]

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163 S. REP. NO. 97-275, at 5, 1982 U.S.C.C.A.N. at 15.

164 *See* H.R. REP. No. 97-312, at 19 n.8, 29 (listing background studies reviewed by the subcommittee of the House and listing persons from whom the subcommittee received testimony on the issue).

165 The one issue specifically raised in the House Report is patent validity. *Id.* at 21.

166 The House Report does indicate that "case management is not the primary goal of the legislation." *Id.* at 23. This reference to "case management," however, appears to be a reference simply to the volume of cases ("workload") handled by each appellate judge in the federal system.

167 *Id.* at 20.

168 *Id.* at 21. Interestingly, in a section of the House Report discussing the appointment of "technical assistants" to the Federal Circuit, Congress shows itself to be quite concerned that judges of the court be "sensitive" to "due process" considerations. *Id.* at 37. In particular, the House committee was concerned with the use of technical assistants in "patent infringement cases" (as opposed to ex parte appeals from the PTO) because counsel for the parties would not be able to cross-examine such advisors as they could

Congress also gave serious consideration to the composition and role of the new court. Looming large in the background was the oft-repeated fear that specialization, in the words of Professor Dreyfuss,

> would produce substantively inferior law. The repetitious nature of the docket might lead to greater coherency but it would take patents out of the mainstream of legal thought, expose the court to a one-sided view of the issues, and discourage qualified people from serving as judges.[169]

Congress explicitly recognized this concern, but felt that the Federal Circuit as laid out in the FCIA contained structural safeguards that would insulate it from the threat.

> The Court of Appeals for the Federal Circuit will not be a 'specialized court' as that term is normally used. The court's jurisdiction will not be limited to one type of case, or even to two or three types of cases. Rather, it will have a varied docket spanning a broad range of legal issues and types of cases. . . . This rich docket assures that the work of the proposed court will be broad and diverse and not narrowly specialized. The judges will have no lack of exposure to a broad variety of legal problems.[170]

Moreover, not only was the Federal Circuit to be a generalist appellate venue, composed of judges competent to handle all manner of legal problems, but it was to be neither above nor below the other regional circuit courts in stature and authority. The legislative history proclaims that "[t]he new court is

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otherwise cross-examine experts used by the opposing party. *Id.* at 37-38. This also reinforces the idea that Congress was not speaking only to substantive patent law, but rather all aspects of patent cases, in crafting the Federal Circuit's founding legislation.

[169] Dreyfuss I, *supra* note 15, at 25. *See also* Schaffner, *supra* note 9, at 1200.

[170] S. REP. NO. 97-275, at 6 (1981), *as reprinted in* 1982 U.S.C.C.A.N. 11, 16. *See also* H.R. REP. NO. 97-312, at 19 ("[T]he bill creates a new intermediate appellate court markedly less specialized than either of its predecessors and provides the judges of the new court with a breadth of jurisdiction that rivals in its variety that of the regional courts of appeals. The proposed new court is not a 'specialized court.' Its jurisdiction is not limited to one type of case, or even to two or three types of cases. Rather, it has a varied docket spanning a broad range of legal issues and all types of cases.").

on line with other federal courts of appeals . . . that is, it is not a new tier in the judicial structure."[171]

Thus, three paramount congressional motivations in establishing the Federal Circuit were: (1) unclogging structural deficiencies in the appellate system by consolidating some appeals in a national appeals court; (2) avoiding the perceived insult and costs of forum-shopping; and (3) creating a non-specialized court on equal footing to the regional circuit courts, made up of generalist judges competent to handle a wide variety of legal issues.

These three policies in the legislative history are either not promoted or are directly undermined by the Rule of Deference. First, if the problem is indeed structural and a purpose of creating a court of appeals with national jurisdiction was to bridge divergent views without use of Supreme Court resources, that goal is not furthered by deferring to the regional circuit court that would have otherwise received the appeal. It is not clear from the legislative history whether Congress meant to include patent litigation procedure as part of the "administration of the patent law" it was attempting to nationalize.[172] However, the point remains that Congress was generally seeking to promote national uniformity in federal law in the FCIA, especially as it relates to patents and patent litigation.[173] Deference simply cannot advance national uniformity. Given the strong support of standardization generally advanced in the FCIA history, it is somewhat disingenuous to try to justify the Rule of Deference on this ground.

It is also difficult to see how forum-shopping could be reduced by any rule which promotes regional differences. Patent litigators desire to secure a venue with the most favorable procedures, not merely the most favorable substantive law. Indeed, some practitioners are known to put more weight on a favorable procedural venue (for example, one that might offer extremely aggressive judicial oversight of discovery) than a favorable rule of substantive law in a given case.[174] This is certainly part of the popularity of the Eastern

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[171] S. REP. NO. 97-275, at 2-3, 1982 U.S.C.C.A.N at 12-13.

[172] H.R. REP. No. 97-312, at 21.

[173] *See id.*

[174] See Gholz, *supra* note 18, at 314.

District of Texas or the Eastern District of Virginia for patent plaintiffs. Regional differences on this score could only enhance the threat of forum shopping.[175]

Finally, the policy favoring generalism and competence across all legal fields is undermined by the Rule of Deference. The judges of the Federal Circuit now abstain from legal analysis and interpretation concerning a very large body of federal law over which the court has appellate jurisdiction, namely the Federal Rules of Civil Procedure. Every time a panel defers to another appeals court in a matter of procedure not unique to patent law, the Rule of Deference tacitly suggests that these judges are specialists not tasked to deal with such issues. Yet in reality, the judges of the Federal Circuit are not patent law specialists, nor were they intended to be.[176]

Whatever one might feel about the merits of generalism in the federal system, any insulation from non-patent law appears contradictory to the rejection of specialization explicit in the FCIA. Ironically, one could credibly argue that there is no body of federal law more proudly generalist than the Federal Rules of Civil Procedure.

In sum, a neutral reading of the legislative history of the FCIA provides no support for the Rule of Deference. If anything, the general support for national uniformity in the federal law and the law of patents, the aversion to forum-shopping, and the repugnance felt towards specialization suggests that Congress did not mean to carve out an exception to the Federal Circuit's appellate role when it came to interpretations of the Federal Rules of Civil Procedure.[177]

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[175] *See id.* (arguing that forum shopping will not be reduced by the Rule of Deference as applied in both substantive and procedural matters); *see also* Dreyfuss I, *supra* note 15, at 42; Schaffner, *supra* note 9, at 1192-94 (any forum-shopping made possible by the difference between Federal Circuit and the regional circuit interpretations is inherent in the system created by Congress and is not the type Congress meant to prevent).

[176] According to the Federal Circuit's website, of the sixteen active judges on the Federal Circuit, including senior judges, only six were even involved in patent law prior to joining the court or its predecessors. *See* United States Court of Appeals for the Federal Circuit: Judicial Biographies, http://www.cafc.uscourts.gov/judgbios.html (last visited Feb. 8, 2009).

[177] *See* H.R. Rep. No. 97-312, at 17-23.

C. *The* **Erie** *Analogy and the Stain of Incompetence*

There is a sense in the legal community that the Federal Circuit has of late been experiencing something of a check from the Supreme Court. It is hardly a secret that the Supreme Court, with its decisions in *eBay*,[178] *Medimmune*,[179] *KSR*[180] and the like, has been placing its thumb consistently on the scale in favor of patent defendants these days, often in direct contradiction to the Federal Circuit's prior guidance.[181] Those opposed to specialization might now say that their fears were realized. It could be argued that a court dedicated to hearing patent appeals has acquired, predictably, a pro-patent bias, and now needs to be kept in line by a higher authority.

An inquiry into whether the bias claim is true, and, if so, whether specialization or the Rule of Deference had anything to do with it, is beyond the scope of this article.[182] A few observations, though, appear warranted.

Whatever the reality with respect to a pro-patent bias, it is reasonable to credit the Rule of Deference with contributing to at least the *appearance* that the judges of the Federal Circuit are patent specialists. Congress went out of its way to assure doubters that the Federal Circuit would not become a specialized captive of the patent industry, in part because it would have a diverse docket

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178 eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 78 U.S.P.Q.2d (BNA) 1577 (2006).

179 MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 81 U.S.P.Q.2d (BNA) 1225 (2007).

180 KSR Int'l Co. v. Teleflex, Inc., 550 U.S. 398, 82 U.S.P.Q.2d (BNA) 1385 (2007).

181 *See, e.g.*, Rochelle Cooper Dreyfuss, *In Search of Institutional Identity: The Federal Circuit Comes of Age*, 23 BERKELEY TECH. L.J. 787, 791 (2008) ("the Supreme Court's unprecedented activity in the patent arena indicates that it too is concerned about the Federal Circuit's performance. Indeed, because the Supreme Court has either reversed or vacated virtually all the Federal Circuit patent decisions that it has recently reviewed, 'dissatisfied' may be a more accurate description of its attitude."); *see also* Rachel Krevans and Daniel P. Muino, *Restoring the Balance: The Supreme Court Joins the Patent Reform Movement*, 9 SEDONA CONF. J. 15, 24 (2008) ("In five out of the last six cases, the [Supreme] Court's decisions cut against the patentee and effected a narrowing of patent rights in some manner. In all but one of the last eight patent cases, the high court reversed the ruling of the Federal Circuit.").

182 For a recent and compelling inquiry into specialization and patent law, see Dreyfuss II, *supra* note 136.

allowing it to handle "a broad range of legal issues."[183] By adopting the Rule of Deference a few years later, however, the Federal Circuit significantly limited the diversity of the legal issues before it. The Rule obstructed the court's surest path to regular exposure to complex litigation questions outside of the substantive patent sphere.

When the court now approaches a meaningful issue of federal procedure, it defers to another circuit's interpretation of the law under the Rule of Deference and theoretically applies that law mechanically. Per *Panduit*, it follows the guidance of *Erie* and its progeny in doing so.[184] *Erie*, however, is a doctrine applicable in situations where one court is literally incompetent to develop the law of another jurisdiction, which is not the case with regard to the Federal Circuit and federal procedural law.[185]

What message does such action send about the Federal Circuit? If *Erie* applies where one court is not "competent" to interpret the laws of another, the Rule suggests that the Federal Circuit is not "competent" to interpret matters of general federal procedure. This can only increase the perception that the Federal Circuit is less capable than other courts of equal standing of handling appeals when it comes to matters outside its supposed area of expertise.[186] The idea that the Federal Circuit might be on a different tier from other circuits is directly contrary to the intent professed in its founding legislation.[187]

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183 H.R. REP. NO. 97-312, at 19 (1981).

184 *See Panduit*, 744 F.2d at 1574, 223 U.S.P.Q. (BNA) at 471.

185 *See supra* Part III.B.

186 Professor Dreyfuss recognized early the impact that deference might have on the perception of the Federal Circuit, opining, "[m]oreover, the limited overlap of issues adjudicated by the CAFC and the other circuits allows little opportunity for other courts to effectively evaluate the merit of the CAFC's decision making. Opinions in areas of jurisdictional overlap would encourage regional judges to evaluate the quality of the CAFC's reasoning, with the possibility of greater reliance on its decisions. With a broader docket, there would also be less of a basis for suspecting that members of the CAFC were appointed as a result of lobbying efforts by special interest groups. Furthermore, expansion of the CAFC's authority, coupled with reassignment of portions of its jurisdiction to other federal appellate courts, would enhance the status and desirability of an appointment to the Federal Circuit." Dreyfuss I, *supra* note 15, at 60-61.

187 S. REP. NO. 97-275, at 2-3 (1981), *as reprinted in* 1982 U.S.C.C.A.N. 11, 12-13.

This is not to say that the Federal Circuit should never consider or give weight to the well-reasoned opinions of its sister circuits. To the contrary, competent courts often look to other competent courts for guidance, with good reason. This, after all, is what *South Corp.* had in mind.[188] The Federal Circuit did not have to address each issue as though it had never been decided before. But deference is very different from thoughtful consideration of non-binding precedent. By choosing total deference over case-by-case interpretation, the court has, however inadvertently, opened itself up to charges of overreaching any time it now steps outside the patent sphere.

D. *The Systemic Absence of Controlling Precedent in Matters of Patent Litigation Procedure*

As demonstrated by the confusion in the district courts in the wake of the *Twombly* decision, a striking disadvantage of the Rule of Deference is the havoc it plays with precedent in matters of patent litigation procedure.[189] It is perhaps this lasting harm which ultimately tilts the scales against the Rule.

Congress created an appellate scheme for patent litigation which requires guidance from the Federal Circuit. In particular, nearly all patent appeals, including all procedural aspects of cases with a patent appeal, are directed to the Federal Circuit under 28 U.S.C. §§ 1292 and 1295.[190] Thanks in part to the Supreme Court's *Vornado* decision in 2002, the regional circuits occasionally review cases touching on patent law.[191] These cases, however, are both rare and, when encountered, procedurally unorthodox by definition.

The Federal Circuit is therefore the only court in the federal appellate system, short of the Supreme Court, in a position to announce the federal law as it applies to regular patent litigation procedure. This includes, for example, establishing the basic elements of a patent complaint. As a direct result of the structure of review created by Congress, when the Federal Circuit abstains in a matter of procedure, there is no other court to fill in the hole. It could never make sense to abstain from answering a federal question when the alternative is no answer at all.

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[188] South Corp. v. United States, 690 F.2d 1368, 215 U.S.P.Q. (BNA) 657 (Fed. Cir. 1982).

[189] *See supra* Part I.B.

[190] 28 U.S.C. §§ 1292, 1295 (2006).

[191] 535 U.S. 826, 834, 62 U.S.P.Q.2d (BNA) 1801, 1805 (2002).

One might argue in response to this position that while there may be no circuit court analyzing basic rules of federal procedure in routine patent litigation, myriad appeals address these rules in other contexts on a daily basis. Every circuit, for example, is sure to apply *Twombly* time and again, and has likely done so a few times already. Thus, the argument goes, there is ample guidance for a district court.

The problem with this position, however, is that it runs contrary to a basic tenet of our common law tradition; the requirement that one look to like cases for guidance. There is a very practical reason, of course, why one cites to a case that is as factually close as possible. Closer cases are more trustworthy. The law is a sensitive organism, and one is best served by following precedent with like facts so as not to import accidentally reasoning more applicable to a different fact pattern. It is at its own peril that any court looks to an incongruent case for guidance. Thus, a system that forces litigants and courts to rely on inapposite cases should be heavily disfavored. Patent litigants should not be systematically encouraged to cite antitrust cases. On the contrary, the appellate structure ought to promote the creation and use of on-point precedent.

The importance of following directly applicable precedent is particularly acute in patent litigation procedure. Patent litigation consists of so many quirks, curiosities and policies unique to itself that it is both impossible and undesirable to attempt to distill substantive patent-related policy issues from non-patent litigation.[192] Any such attempt understates the conceptual non-severability of the patent from the patent litigation. The Federal Circuit's contribution to the dialogue on all patent litigation issues is not only helpful, but essential to the proper workings of the system.

In the basic pleading context, for example, there are many reasons why what works for antitrust will likely not work for patent cases. As patents are presumed valid, a plaintiff in possession of an issued patent is already half way to a well-pleaded infringement complaint. This can result in a strong temptation to launch lawsuits prematurely. For this reason, a patent infringement plaintiff is required to conduct a rather thorough prefiling investigation.[193] Additionally, it

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[192] For this reason, Professor Schaffner's suggestion that the Federal Circuit's "unique expertise will not add significantly to the 'percolation' of" non-patent-related issues appears doubtful. Schaffner, *supra* note 9, at 1218.

[193] *See, e.g.,* Antonious v. Spalding & Evenflo Co., 275 F.3d 1066, 1072, 61 U.S.P.Q.2d (BNA) 1245, 1249 (Fed. Cir. 2002). The *Antonious* case highlights the sometimes counterintuitive and always complex application of the Rule

might be sensible to ask a plaintiff to identify with some particularity, in accordance with *Twombly*, the specific products it accuses of infringement.

Thus, even for an issue as common as a properly pleaded complaint, it is difficult and erroneous to try to ignore the patent-specific aspects of procedural questions.

As shown earlier in regards to *McZeal*, to the extent the Federal Circuit does apply the Federal Rules to patents in a procedural ruling, that guidance is currently merely persuasive in most cases.[194] The Rule of Deference, after all, has essentially defined the Federal Circuit as not "competent," in the *Erie* sense, to make legal determinations in matters of general procedure. Moreover, under the Rule, the Federal Circuit is never in a position to tackle a procedural issue head on. Rather, the Rule is applied by analogizing from other circuit precedent in cases that are not on-point.[195] Thus, district courts are left to scratch their heads, and reason the matter out afresh each time, without the benefit of controlling guidance.

The Rule of Deference as applied to procedural matters may thus be distinguished from the Federal Circuit's deference in areas of substantive law outside of patent law. Copyright matters are reviewed routinely by the regional circuits. Directly on-point, binding precedent is being created constantly in and

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of Deference. The Federal Circuit held in *Antonious* that it must defer to the law of the regional circuits to determine whether Rule 11 sanctions are appropriate as to the adequacy of pre-filing investigations in patent cases. *Id.* Yet, insofar as the award of sanctions is dependent upon whether there was "some basis in law" for the advocated position, issues underlying the Rule 11 prefiling investigation analysis (i.e., whether there was some basis to accuse a product of infringement) will always inherently depend on Federal Circuit law. Indeed, they did in that case, and the Federal Circuit reversed.

[194] *See* McZeal v. Sprint Nextel Corp., 501 F.3d 1354, 1356, 84 U.S.P.Q.2d (BNA) 1315, 1316 (Fed. Cir. 2007) ("A motion to dismiss for failure to state a claim upon which relief can be granted is a purely procedural question not pertaining to patent law. Thus, on review, we apply the law of the regional circuit.").

[195] One commentator, after noting that the tracking of most patent litigation appeals away from the regional circuits might lead to insufficient precedent in matters of procedure, suggests that the Federal Circuit's analogizing of precedent has "proven workable" as an alternative. The author, however, does not provide support for this position. *See* McEldowney, *supra* note 20, at 1662.

applied to a diverse array of copyright fact patterns. Any abstinence by the Federal Circuit is at least offset by doctrinal developments in the regional circuits. In matters of procedure, however, there is simply no one at the helm steering the ship. Thus, it is primarily in matters of *procedure* where the Federal Circuit should refrain from deferring to other courts.[196]

This is not intended to suggest that patent litigations are so unique that they require a different set of procedural rules, or even a special trial court. Rather, patent litigations, like all other litigations, deserve a mid-level appellate court issuing unequivocal guidance on how the case should be run. There is no reason why patent litigation practitioners should be forced to map their procedural landscape through a veil simply because their cases are routed to a court of appeals by subject matter and not geography.

E. *Balancing the Factors*

A final balancing of the factors just discussed suggests that the Rule of Deference does more harm than good and should be abandoned.

Weighing in favor of deference is the palpable benefit of familiarity. District court judges are accustomed to following rules of federal procedure as those rules have been articulated by their respective regional circuits. It is highly efficient to know the rules by heart and judges would need to work harder at times to acquaint themselves with patent litigation procedure without the Rule of Deference. The same holds for some practitioners whose practice has a local orientation.

It is not clear, however, that the abolition of the Rule of Deference would be burdensome, as the Federal Circuit's interpretation of the rules is not likely to be *materially* different from that of the regional circuits in most cases. Thus, without the Rule of Deference, most district court procedural decisions could, and surely would, still be made reflexively. Moreover, patent litigation practitioners often practice nationally, and are rarely wedded to their home circuit's interpretation of the rules of procedure.

The many factors that point against keeping the Rule of Deference clearly outweigh the limited benefits that point in favor of maintaining it. First,

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[196] This conclusion directly contradicts that of the many scholars and commentators who have argued that the Federal Circuit should defer more in matters of procedure, and less in areas of non-patent substantive law. *See, e.g.*, Schaffner, *supra* note 9, at 1228; McEldowney, *supra* note 20, at 1676.

the Rule, like all choice-of-law schemes, is very difficult and expensive to implement in daily practice and is notorious for creating uncertainty in matters of patent litigation procedure. Second, a fair reading of the Federal Circuit's founding legislation and the surrounding legislative history suggests that the Rule runs counter to the language and purpose of creating a generalist national court capable of unifying the law. Third, the Rule is a deviation from the baseline principle of competence and, following the logic of *Erie*, might encourage the misperception that the Federal Circuit is not competent to interpret rules of general applicability. Finally, and most critically, the Rule perpetuates a systemic absence of controlling precedent in matters of patent litigation procedure.

V. THE IMPACT OF OVERTURNING THE RULE OF DEFERENCE

Various considerations would need to be addressed were the Federal Circuit to seriously consider jettisoning the Rule of Deference. Namely, there is the problem of precedent and litigant expectations. Countless decisions have held that the Rule of Deference is the law of the Federal Circuit. What would the impact be if the en banc court, the Supreme Court or even Congress, were to overrule those holdings?[197]

Overall, the impact would be negligible. First, the Rule itself did not replace a large body of procedural law. The court was too young at the Rule's inception to have created much law regarding general federal procedure. Accordingly, in most cases, litigants would now be free to advocate for the best procedural approach. Litigants would likely reference as persuasive authority both the Federal Circuit's twenty-five years of rulings under the Rule of

[197] The Supreme Court recently (and apparently for the first time) referenced the Rule of Deference in a decision. Unitherm Food Sys., Inc. v. Swift-Eckrich, Inc., 546 U.S. 394, 398-99, 77 U.S.P.Q.2d (BNA) 1961, 1963-64 (2006) (observing that the Federal Circuit was bound to apply Tenth Circuit law when addressing the post-verdict requirements of Rule 50(b)); *see also* Miller, *supra* note 20, at 318. The Court's passing reference to the Rule of Deference was merely explanatory background and did not appear to be an endorsement of the Rule. Thus, this case should not be taken as binding Supreme Court precedent on the Rule of Deference that might prevent the en banc Federal Circuit from overturning it. Interestingly, the Supreme Court has had the opportunity to address the Rule of Deference but has refused to grant certiorari in cases dealing with the issue. *See, e.g.,* Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356, 1358-59, 50 U.S.P.Q.2d 1672, 1674-75 (Fed. Cir. 1999), *cert. denied*, 528 U.S. 1019 (1999).

Deference and analogous cases from the regional circuits. For example, *McZeal* might be put forward as the precedent to adopt in all patent cases, not simply those arising out of the Fifth Circuit. If, after consideration, the *McZeal* analysis is rejected in favor of a new Federal Circuit rule because it is not held to be the best interpretation of *Twombly*, that is all the more reason to move away from the Rule of Deference.[198] In other words, the Federal Circuit would start to develop general patent litigation procedural doctrine anew, and the court would have plenty of persuasive cases to draw from to lay the groundwork.

Additionally, any effect of doing away with the Rule of Deference would be muted by the uncertainty that surrounds the Rule now. As scholarly articles have noted,[199] it is already extremely difficult to predict with precision exactly when the Rule will be enforced, and what its impact will be on any given motion or appeal. Thus, to the extent that the Rule was too uncertain to create expectations on the part of litigants, its absence will have little detrimental impact.

Moreover, to the extent that current litigants possess expectations as to the interpretation of a rule of procedure that the Federal Circuit would apply, their interest is not entitled to great weight. The *Korean Air Lines* case and other transfer cases make clear that a litigant has no vested interest in any one regional circuit's interpretation of federal law.[200] The law is theoretically uniform. This is in contrast with a plaintiff's entitlement under *Van Dusen* to the state law of the state in which he or she originally filed.[201] Thus, no litigant could be entitled to rely on the Federal Circuit's deference to another circuit's rule on an issue of interpretation of federal law. It is simply not a legally cognizable interest. After all, the district court in which the case was filed could always transfer the case, which would leave the expectant litigant equally out of luck.

Finally, in looking at the practical impacts of doing away with the Rule of Deference, there is the current climate to consider. It seems an odd time to be advancing a position which gives the Federal Circuit more control over aspects

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198 *See McZeal*, 501 F.3d 1354, 84 U.S.P.Q.2d (BNA) 1315 (Fed. Cir. 2007).

199 *See, e.g.*, Schaffner, *supra* note 9, at 1202.

200 *See, e.g.*, *In re* Korean Air Lines Disaster of September 1, 1983, 829 F.2d 1171, 1175 (D.C. Cir. 1987) (noting that "there is no compelling reason to allow plaintiff to capture the most favorable interpretation of [federal] law simply and solely by virtue of his or her right to choose the place to open the fray").

201 Van Dusen v. Barrack, 376 U.S. 612, 639 (1964).

of cases outside of substantive patent law. However, if it is true that the Federal Circuit has been slightly biased by specialization, the clearest long-term solution remains a more general docket, not a less general one. That is, after all, what Congress envisioned when it passed the FCIA in 1982.[202] The more any appellate court reviews and analyzes the rules governing routine practice, as opposed to specialized substantive issues, the more connected that court will be to the realities of trial court litigation. Good appellate law must, of course, be sensitive to those realities. With that in mind, it is ironic that deference—a doctrine rooted in the rhetoric of respect and comity—might be operating not as a bridge but as a wall between the Federal Circuit and the rest of the federal judiciary.

VI. CONCLUSION

The Rule of Deference might have been born out of estimable notions of respect, comity and convenience, but the harm it causes is ultimately too great to justify its perpetuation. The systemic absence of controlling precedent in matters of patent litigation procedure is by itself too large a price to pay for these ideals. To this cost, add others such as the complexities and uncertainties created by the imposition of an unneeded choice-of-law scheme. Moreover, it is far from clear that the Rule of Deference even supports its own goal of reducing conflicts in the law. As it turns twenty-five years old, the Rule in many ways is simply being propelled by its own momentum.

In the final analysis, the Federal Circuit should never be deferring in matters of patent litigation procedure, simply because there is no other appellate court to which it may defer. Only the Federal Circuit has a patent litigation docket rich and varied enough to create a meaningful body of precedent covering all aspects of patent litigation procedure. The Rule of Deference to the law of regional circuits in matters of procedure should be overturned.

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[202] *See* S. REP. NO. 97-275, at 6 (1981), *as reprinted in* 1982 U.S.C.C.A.N. 11, 16.