RECENT SUPREME COURT CASES MAY REQUIRE MORE DEFERENCE IN REVIEW OF OBVIOUSNESS CASES

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CONTENTS

INTRODUCTION

In two recent decisions, the Supreme Court required that appellate courts give greater deference to district courts

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concerning mixed issues of fact and law. In *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, issued January 20, 2015, the Supreme Court overturned longstanding Federal Circuit precedent and held that patent claim construction may be subject to clear error review, rather than *de novo* review, even though claim construction is a question of law.[2] The following day, in *Hana Financial, Inc. v. Hana Bank*, the Supreme Court reversed Federal Circuit precedent and held that whether tacking is available in a trademark case is a jury question, despite it being a mixed question of fact and law.[3]

Obviousness in patent law is also a mixed question of fact and law. The *Teva* and *Hana Financial* cases thus raise the question of how jury verdicts regarding obviousness should be reviewed by the Federal Circuit on appeal.

In Sections I and II, this article analyzes the *Teva* and *Hana Financial* decisions as they relate to mixed questions of fact and law. In Section III, this article details the Supreme Court's jurisprudence regarding the appropriate standard of review for mixed questions of fact and law. Section IV discusses the current standard used by the Federal Circuit in reviewing obviousness determinations, an issue on which the Supreme Court has not yet ruled. It then explains why more deference to trial courts may be required in obviousness cases. Section V discusses additional recent Supreme Court cases calling for more deference to district courts. Section VI considers whether, in the alternative to giving greater deference to obviousness as a mixed question of fact and law, obviousness should instead be treated solely as an issue of fact.

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[2] 135 S. Ct. 831, 835 (2015).

[3] 135 S. Ct. 907, 909 (2015).

I. TEVA REQUIRES GREATER DEFERENCE TO A JUDGE'S FACT FINDINGS REGARDING CLAIM CONSTRUCTION

Teva addressed the level of deference appellate courts give to fact determinations underlying the construction of patent claim terms. In *Markman v. Westview Instruments, Inc.*, the Supreme Court held that "the construction of a patent, including terms of art within its claim, is exclusively within the province of the court."[4] But the Court addressed only *who* should decide claim construction not *how* much deference the judge's decisions should be given on appeal.[5]

Since *Markman*, the Federal Circuit has twice held, *en banc*, that all aspects of claim construction are subject to *de novo* review, meaning that no deference is given to the judge's decision.[6] The Federal Circuit's conclusions were rooted in the principle that a patent grant is legal in nature, and thus its meaning, like other legal documents, is a question of law.[7]

But claim construction often involves mixed questions of fact and law,[8] and, at times, fact questions

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[4] 517 U.S. 370, 372 (1996).

[5] *Id.*

[6] *See* Lighting Ballast Control LLC v. Philips Elects. N. Am. Corp., 744 F.3d 1272, 1277 (Fed. Cir. 2014) (en banc); Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1451 (Fed. Cir. 1998) (en banc). The Federal Circuit also heard the issue *en banc* a third time in *Phillips v. AWH Corp.*, but ultimately decided not to review it, over the dissent of two judges. 415 F.3d 1303, 1328, 1330 (Fed. Cir. 2005) (en banc).

[7] *See, e.g.*, *Lighting Ballast*, 744 F.3d at 1286 ("Claim construction is the interpretation of a legal document that establishes a property right that applies throughout the nation.").

[8] *See, e.g.*, Teva Pharm. USA, Inc. v. Sandoz, Inc., 135 S. Ct. 831, 841 (2015) (referring to certain "subsidiary facts" that are relevant to claim

predominate the inquiry.[9] For example, whether or not a particular term had a recognized, specialized meaning in the art at the relevant time is a question of fact, as is that meaning itself.[10] Both of these questions relate to facts that are extrinsic to the patent.[11]

In *Teva*, the Supreme Court held that claim construction, while ultimately a question of law, can have "underlying factual disputes" that will "precede the function of construction."[12] Overruling the Federal Circuit, the Supreme Court held that these factual issues "must be reviewed for clear error" pursuant to Federal Rule of Civil Procedure 52(a),[13] meaning that the district court's decision on factual questions must be given deference.[14]

II. *HANA FINANCIAL* REQUIRES JURIES TO DECIDE "TACKING," EVEN THOUGH IT IS A MIXED QUESTION OF FACT AND LAW

construction, including "the background science or the meaning of a term in the relevant art during the relevant time period").

[9] *Id.* at 841–42 ("[I]n some instances, a factual finding may be close to dispositive of the ultimate legal question of the proper meaning of the term in the context of the patent.").

[10] *Id.*

[11] *Id.* (explaining that "the district court will need to look beyond the patent's intrinsic evidence and consult extrinsic evidence in order to understand" these subsidiary facts).

[12] *Id.* at 837–38 (quoting Great Northern R. Co. v. Merchants Elevator Co., 259 U.S. 285, 292 (1922)).

[13] *Id.* at 838.

[14] *Id.* at 842 (noting that the appropriate level of review of "factual findings that underlie a district court's claim construction" is the more deferential "clear error" level of review).

Hana Financial issued the day after *Teva*, and also addressed a mixed question of fact and law—specifically, the issue of "tacking" in trademark law.

A trademark owner may backdate the priority date of his current mark's use in commerce: he may "tack" his current mark to a similar mark if the second mark is the first mark's "legal equivalent."[15] A second mark is a legal equivalent to an earlier mark if the two marks "create the same, continuing commercial impression so that consumers consider both as the same mark."[16] Whether a second mark is a legal equivalent to an earlier mark is a mixed question of fact and law.[17]

Hana Financial sued Hana Bank for trademark infringement. Hana Bank defended by arguing that it had used the mark first, and attempted to "tack" its use of its prior mark to its current mark.[18] The district court gave the ultimate question of tacking to a jury, with an instruction that recited the appropriate legal standard.[19] The jury found that Hana Bank had proven that its second mark was the legal equivalent of its earlier mark, and thus, tacking applied.[20] Hana Financial challenged the court's decision to let the jury decide tacking. The Ninth Circuit affirmed, holding that the question of tacking is a "highly fact-sensitive inquiry."[21] But the Federal Circuit had previously held that the issue of tacking is "a legal determination, and is not entitled to the

[15] Hana Fin., Inc. v. Hana Bank, 135 S. Ct. 907, 909 (2015).

[16] *Id.* at 910.

[17] *Id.* at 911.

[18] *Id.* at 909–10.

[19] *Id.* at 910.

[20] *Id.*

[21] Hana Fin., Inc. v. Hana Bank, 735 F.3d 1158, 1160 (9th Cir. 2013).

same deference as a factual finding on review."[22] Recognizing the circuit split, the Supreme Court granted certiorari.[23]

The Supreme Court affirmed the Ninth Circuit, and overruled the Federal Circuit.[24] The Court held that tacking concerned "how an ordinary person or community would make an assessment," and thus was "comfortably within the ken of a jury."[25] Importantly, the Court held that, while the question of tacking involves applying a legal standard to the facts, i.e., it is a mixed question of fact and law, this type of question "has typically been resolved by juries."[26] The solution, the Court held, in resolving mixed questions of fact and law was not to divide the tasks between judge and jury. Rather, to avoid having the jury "improperly apply the relevant legal standard," the district court judge should instead "craft careful jury instructions that make the standard clear," so that the jury can determine the ultimate question appropriately.[27]

III. APPELLATE REVIEW OF MIXED QUESTIONS OF FACT AND LAW

Hana Financial addressed only *who* should hear a mixed question of fact and law. Like the Court's *Markman* decision, which held only that claim construction should be

[22] Van Dyne-Crotty, Inc. v. Wear-Guard Corp., 926 F.2d 1156, 1159 (Fed. Cir. 1991).

[23] *Hana Fin., Inc.,* 135 S. Ct. at 910.

[24] *Id.* at 913.

[25] *Id.* at 911.

[26] *Id.* (quoting United States v. Gaudin, 515 U.S. 506, 512 (1995)).

[27] *Id.* at 911–12.

decided by a judge,[28] *Hana Financial* did not address the appropriate appellate standard of review. It is unclear whether courts should apply the extremely deferential "substantial evidence" standard often used for reviewing jury verdicts,[29] the "clearly erroneous" standard used for reviewing a judge's determinations under Rule 52(a), or the *de novo* standard used for questions of law.

The Supreme Court has recognized that the level of deference given to a jury's application of the law to the facts is the basis of a circuit split.[30] And the Supreme Court has acknowledged that it "has not charted an entirely clear course in this area," particularly in the area of civil law.[31] The distinction between questions of fact and questions of law is "sometimes slippery,"[32] and the Court has noted that, in this area, it is "uncommonly difficult to derive from the pattern of appellate review of other questions an analytical framework that will yield the correct answer."[33]

At a broad level, a "deferential review of mixed questions of law and fact is warranted when it appears that the district court is 'better positioned' than the appellate court to decide the issue in question or that probing appellate scrutiny will not contribute to the clarity of legal doctrine."[34]

Thus, "primary weight . . . must be given to the conclusions of the trier of fact" where the "nature of the

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[28] Markman v. Westview Instruments, Inc., 517 U.S. 370, 372 (1996).

[29] *See, e.g.*, Ericsson, Inc. v. D-Link Sys., Inc., 773 F.3d 1201, 1214 (Fed. Cir. 2014).

[30] Pullman-Standard v. Swint, 456 U.S. 273, 290–91 n.19 (1982).

[31] Thompson v. Keohane, 516 U.S. 99, 110 (1995) (quoting Miller v. Fenton, 474 U.S. 104, 113 (1985)).

[32] *Id.* at 110–11.

[33] Pierce v. Underwood, 487 U.S. 552, 558–59 (1988).

[34] Salve Regina College v. Russell, 499 U.S. 225, 233 (1991) (quoting *Miller,* 474 U.S. at 114)).

[applicable] statutory standard" is "nontechnical," and where the ultimate question instead relates more closely to the "data of practical human experience, and the multiplicity of relevant factual elements, with their various combinations."[35] Deference "applies to findings of fact, including those described as 'ultimate facts' because they may determine the outcome of litigation."[36] For example, in *Duberstein*, the issue was whether a transfer to a taxpayer amounted to a "gift" under the Internal Revenue Code.[37] The Court noted that the term "gift" was not used "in the common-law sense, but in a more colloquial sense," based on the "intention" of the giver.[38] The determination of whether a transfer qualified as a "gift" is "based ultimately on the application of the fact-finding tribunal's experience with the mainsprings of human conduct to the totality of the facts of each case."[39] When human experience informs the result, the Court mandates deference to a jury or judge finding.

Similarly, in negligence cases, the Supreme Court has noted that the jury has a unique competence in applying the "reasonable man" standard.[40] Thus, the "delicate assessments of the inferences a reasonable decision maker would draw . . . are peculiarly ones for the trier of fact."[41] The jury is also entrusted to ascertain the sense of the

[35] Comm'r of Internal Revenue v. Duberstein, 363 U.S. 278, 289 (1960).

[36] Bose Corp. v. Consumers Union of U.S., Inc., 466 U.S. 485, 501 (1984) (citing Pullman-Standard v. Swint, 456 U.S. 273, 287 (1982)).

[37] *Duberstein*, 363 U.S. at 279–80.

[38] *Id.* at 285–86.

[39] *Id.* at 289.

[40] United States v. Gaudin, 515 U.S. 506, 512 (1995) (quoting TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438, 450 n.12 (1976)).

[41] *Id.* (internal quotations omitted).

'average person' by drawing upon "his own knowledge of the views of the average person in the community or vicinage from which he comes" and his "knowledge of the propensities of a reasonable person."[42] This is because "twelve men know more of the common affairs of life than does one man, [and] they can draw wiser and safer conclusions from admitted facts thus occurring than can a single judge."[43] For these reasons, negligence, which is a mixed issue of fact and law,[44] "is generally reviewed deferentially."[45]

Appellate courts also defer to district courts where the resolution of a legal question based on facts "depends heavily on the trial court's appraisal of witness credibility and demeanor."[46] This includes competency to stand trial[47] and juror impartiality.[48] In these cases, though the trial court is "applying some kind of legal standard to what [it] sees and hears," its "predominant function . . . involves credibility findings whose basis cannot be easily discerned from an appellate record."[49]

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[42] Hamling v. United States, 418 U.S. 87, 104–05 (1974).

[43] Sioux City & P. R. Co. v. Stout, 84 U.S. 657, 664 (1873).

[44] United States v. McConney, 728 F.2d 1195, 1204 (9th Cir. 1984).

[45] Cooter & Gell v. Hartmarx Corp., 496 U.S. 384, 402 (1990) (citing Mars Steel Corp. v. Continental Bank N.A., 880 F. 2d 928, 932 (7th Cir. 1989)).

[46] Thompson v. Keohane, 516 U.S. 99, 111 (1995).

[47] Maggio v. Fulford, 462 U.S. 111, 117 (1983) (per curiam).

[48] Wainwright v. Witt, 469 U.S. 412, 429 (1985).

[49] *Id.*; *see also* Miller v. Fenton, 474 U.S. 104, 114 ("When, for example, an issue involves the credibility of witnesses and therefore turns largely on an evaluation of demeanor, there are compelling and familiar justifications for leaving the process of applying law to fact to the trial court.").

Finally, appellate courts give deference to lower court determinations regarding the litigation strategies and positions of the attorneys, such as whether the government's litigation position in a civil case was "substantially justified,"[50] and as to the application of Rule 11 sanctions.[51]

Even when a jury or judge is entrusted to apply the law to the facts, an appellate court should correct errors of law, "including those that may infect a so-called mixed finding of law and fact, or a finding of fact that is predicated on a misunderstanding of the governing rule of law."[52]

On the other hand, no deference is given to the district court on constitutional questions relating to the Bill of Rights, because "independent review is . . . necessary . . . to maintain control of, and to clarify, the legal principles governing the factual circumstances necessary to satisfy the protections of the Bill of Rights."[53] The Court has held that "whether the evidence in the record is sufficient to cross [a] constitutional threshold," must be independently decided by "Judges, as expositors of the Constitution."[54]

For example, the determination of whether probable cause or reasonable suspicion are present in a given fact pattern invokes protections under the Bill of Rights and is subject to *de novo* review.[55] Other protections under the Bill of Rights—for example, "whether a suspect is 'in custody,' and therefore entitled to *Miranda* warnings"—are also

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[50] Pierce v. Underwood, 487 U.S. 552, 552 (1988).

[51] Cooter & Gell v. Hartmarx Corp., 496 U.S. 384, 402 (1990).

[52] Bose Corp. v. Consumers Union of U.S., Inc., 466 U.S. 485, 501 (1984); *see also Cooter & Gell*, 496 U.S. at 402 (stating that on mixed questions, the appellate court may "correct[] . . . a district court's legal errors").

[53] Lilly v. Virginia, 527 U.S. 116, 136 (1999).

[54] *Bose Corp.*, 466 U.S. at 511.

[55] Ornelas v. U.S., 517 U.S. 690, 696–97 (1996).

mixed questions of fact and law requiring *de novo* review.[56] In such determinations, "*de novo* review tends to unify precedent and will come closer to providing law enforcement officers with a defined set of rules." [57] Additionally, in criminal cases, whether (i) a "hearsay statement has particularized guarantees of trustworthiness," [58] (ii) a confession is voluntary, [59] (iii) conflict of interest arises out of an attorney's representation of multiple defendants, [60] (iv) "pretrial identification procedures," are satisfied,[61] (v) the Sixth Amendment right to assistance of counsel is waived, [62] and (vi) the effectiveness of counsel's assistance are all mixed questions of fact and law subject to independent review by the appellate court.[63] Each of these cases exemplifies a situation in which the ultimate question involves a determination of whether the evidence is "sufficient to cross [a] constitutional threshold" under the Bill of Rights, and thus is subject to *de novo* review.[64] Notably, none of these issues were jury issues, and all of them were criminal cases.

In the few civil cases addressing the standard of review for mixed questions of fact and law, the Supreme

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[56] Thompson v. Keohane, 516 U.S. 99, 102 (1995).

[57] *Ornelas*, 517 U.S. at 697 (internal quotation omitted); *see also Thompson*, 516 U.S. at 106 (noting that "uniformity among federal courts is important on questions of this order").

[58] *Lilly*, 527 U.S. at 136.

[59] Miller v. Fenton, 474 U.S. 104, 116 (1985).

[60] Cuyler v. Sullivan, 446 U.S. 335, 341–42 (1980).

[61] Sumner v. Mata, 449 U.S. 539, 597 (1982) (per curiam).

[62] Brewer v. Williams, 430 U.S. 387, 397 n.4, 403–04 (1977).

[63] Strickland v. Washington, 466 U.S. 668, 698 (1984).

[64] Bose Corp. v. Consumers Union of U.S., Inc., 466 U.S. 485, 510–11 (1984).

Court has generally required deference to fact finders' applications of a legal standard to the facts,[65] unless a First Amendment right was at issue.[66]

In the case of "tacking," the Supreme Court indicated that applying the law to the facts "relies upon an ordinary consumer's understanding of the impression that a mark conveys."[67] Much like whether a transfer is a "gift," as in *Duberstein*,[68] this is a "nontechnical" issue that draws upon the "data of practical human experience."[69] The fact that the Supreme Court found the mixed question of tacking to be "comfortably within the ken of a jury," and that courts can be entrusted to give, and that juries can be entrusted to apply "careful[ly crafted] jury instructions that make [the] standard clear,"[70] suggests that it would likely give deference to a jury's decision and apply "substantial evidence" review.

Notably, as discussed above, claim construction is also a mixed question of fact and law, and the Supreme Court held in *Teva* that a mixed standard of review applies.[71] But claim construction is not given to a jury.[72] Instead, district

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[65] Cooter & Gell v. Hartmarx Corp., 496 U.S. 384, 386 (1990); Pierce v. Underwood, 487 U.S. 552, 552 (1988); Comm'r of Internal Revenue v. Duberstein, 363 U.S. 278, 289 (1960).

[66] *Bose Corp.*, 466 U.S. at 501 (holding that independent review is required in defamation cases when determining whether a statement was made with "actual malice" because of the important First Amendment constitutional threshold involved); *see also id.* at 507–08 (collecting cases).

[67] Hana Fin., Inc. v. Hana Bank, 135 S. Ct. 907, 911 (2015).

[68] 363 U.S. at 279–80.

[69] *Id.* at 289.

[70] *Hana Fin., Inc.*, 135 S. Ct. at 911–12.

[71] *See generally* Teva Pharm. USA, Inc. v. Sandoz, Inc., 135 S. Ct. 831 (2015).

[72] Markman v. Westview Instruments, Inc., 517 U.S. 370, 372 (1996).

courts determine the meaning of claim terms, even where findings of fact are required. The Supreme Court held that *de novo* review was required of the "ultimate question of [the proper] construction" of the patent, which is a question of law.[73] But "for underlying factual disputes," clear error review applies.[74] Thus, the Supreme Court gave this mixed issue of fact and law a mixed standard of review. However, this determination may have only been possible because the Court delineated the question of law from the subsidiary questions of fact. The Supreme Court explained the distinction:

> Construction of written instruments often presents a question solely of law, at least when the words in those instruments are used in their ordinary meaning. But sometimes, say when a written instrument uses technical words or phrases not commonly understood, those words may give rise to a factual dispute. If so, extrinsic evidence may help to establish a usage of trade or locality. And in that circumstance, the determination of the matter of fact will precede the function of construction. This factual determination, like all other factual determinations, must be reviewed for clear error.[75]

Thus, when determining the proper construction of a claim term, extrinsic evidence may be considered to assess its meaning to those of skill in the art. This step, a question of fact, precedes the determination of what the term would have meant in the context of the patent, an application of law,[76] providing a clear demarcation between the two issues

[73] *Teva Pharm. USA, Inc.*, 135 S. Ct. at 841–42.

[74] *Id.* at 837.

[75] *Id.* at 837–38 (citations omitted) (internal quotation marks omitted).

[76] *Id.*

and the ability to readily apply the appropriate levels of review to each issue.

IV. AFTER *TEVA* AND *HANA FINANCIAL*, APPELLATE REVIEW OF OBVIOUSNESS MAY REQUIRE MORE DEFERENCE

Obviousness is one of the key defenses in patent cases,[77] and is considered a mixed question of fact and law.[78] Typically, juries are asked to render a general verdict regarding obviousness, and are asked only whether an accused infringer has proven by "clear and convincing evidence" that certain patent claims are "obvious."[79] Currently, the Federal Circuit reviews the ultimate "legal question" regarding obviousness *de novo*, while conceding that it must assume that the underlying facts were resolved in the jury-verdict winner's favor.[80] Since the jury renders

[77] John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 208–09 (1998) (finding obviousness responsible for invalidating more patents than any other patent rule).

[78] Kinetic Concepts, Inc. v. Smith & Nephew, Inc., 688 F.3d 1342, 1356 (Fed. Cir. 2012).

[79] McGinley v. Franklin Sports, Inc., 262 F.3d 1339, 1358 (Fed. Cir. 2001) (Michel, J., dissenting) (referring to the "common, if unfortunate, practice of allowing the jury to render a general verdict on the ultimate legal conclusion of obviousness without requiring express findings on the underlying factual issues through a special verdict or special interrogatories under Fed.R.Civ.P. 49." But further recognizing "that a court may submit this legal question to a jury and that doing so by general verdict rather than by Rule 49 is not ordinarily an abuse of discretion.").

[80] SSL Servs., LLC v. Citrix Sys., Inc., 769 F.3d 1073, 1082 (Fed. Cir. 2014) ("We presume that the jury resolved the underlying factual disputes in favor of the verdict and review those factual findings for substantial evidence.").

only a yes/no answer to the question of obviousness, the Federal Circuit must assume that all findings necessary to support the verdict were in fact made.[81]

Similarly, where a judge decides obviousness (by consent of the parties or in cases not involving damages), the Federal Circuit reviews the ultimate legal question regarding obviousness *de novo*, while applying the "clearly erroneous" standard of review to the judge's explicit findings of fact underlying the judge's ultimate holding regarding obviousness.[82] But after *Teva* and *Hana Financial*, it is not clear that the Federal Circuit's *de novo* review standard remains appropriate.

In *Teva*, the Supreme Court suggested that its analysis might implicate review of obviousness, noting that the clear error review that applies to fact finding in claim construction was "controlling . . . as to subsidiary factual findings concerning other patent law inquiries, including 'obviousness.'"[83]

An obviousness determination includes four key factual findings: (1) the scope and content of the prior art, (2) the differences between the prior art and the claims at issue, (3) the level of ordinary skill in the art, and (4) any relevant objective considerations.[84] The Supreme Court has held, however, that like the issue of tacking, the ultimate question in obviousness determination is a question of law.[85] But the Federal Circuit reviews obviousness determinations

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[81] *Id.*

[82] Winner Int'l Royalty Corp. v. Wang, 202 F.3d 1340, 1344–45 (Fed. Cir. 2000).

[83] Teva Pharm. USA, Inc. v. Sandoz, Inc., 135 S. Ct. 831, 838 (2015) (emphasis added).

[84] Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 17 (1966).

[85] *Id.* (holding "the ultimate question of patent validity is one of law.").

de novo, and, as discussed further below, may give little deference to the jury's ultimate conclusion.

Indeed, the Federal Circuit has held that there is no need to even ask the jury the ultimate question on obviousness if it has been asked to answer the four subsidiary fact questions identified in *Graham*. Instead, "where the only issue is . . . the application of the statutory standard of obviousness (35 U.S.C. § 103) to an established set of facts, there is only a question of law to be resolved by the trial judge, and . . . the trial court's conclusion on obviousness is subject to full and independent review by this court."[86]

Thus, for the mixed question of obviousness, the Federal Circuit currently uses *de novo* review, which is similarly used in cases involving Constitutional mixed questions in criminal and Bill of Rights cases. The Federal Circuit does not use the standard of review often used to assess the mixed questions of fact and law resolved by juries in civil cases.

The Federal Circuit has recently overturned a number of district court rulings concerning obviousness

[86] Newell Cos., Inc. v. Kenney Mfg. Co., 864 F.2d 757, 762 (1988); *see also* Kinetic Concepts, Inc. v. Smith & Nephew, Inc., 688 F.3d 1342, 1356–57 (Fed. Cir. 2012) (reviewing a jury determination of obviousness, "we first presume that the jury resolved the underlying factual disputes in favor of the verdict and leave those presumed findings undisturbed if they are supported by substantial evidence. Then we examine the ultimate legal conclusion of obviousness de novo to see whether it is correct in light of the presumed jury fact findings.") (citations omitted) (internal quotation marks omitted).

under *de novo* review,[87] including jury verdicts.[88] But under *Teva* and *Hana Financial*, along with previous Supreme Court precedents, deference may need to be given to the jury's determination of the ultimate question on obviousness based on "carefully [crafted] jury instructions that make the [obviousness] standard clear."[89]

Obviousness, as in *Duberstein*, concerns the "data of practical human experience, and the multiplicity of relevant factual elements, with their various combinations." [90]

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[87] *See, e.g.*, I/P Engine, Inc. v. AOL Inc., 576 F. App'x 982, 983–84 (Fed. Cir. 2014) (per curiam) (non-precedential) (after the judge declined to give the question of obviousness to the jury and ruled that the patents were not obvious, the Federal Circuit reversed, finding the patents obvious); Galderma Labs., L.P. v. Tolmar, Inc., 737 F.3d 731, 734 (Fed. Cir. 2013); Allergan, Inc. v. Sandoz Inc., 726 F.3d 1286, 1288 (Fed. Cir. 2013).

[88] *See, e.g.*, Soverain Software LLC v. Newegg Inc., 705 F.3d 1333, 1341, 1344, 1346 (Fed. Cir. 2013) *amended on reh'g*, Soverain Software LLC v. Newegg Inc., 728 F.3d 1332, 1336 (Fed. Cir. 2013) (per curiam) (reversing the district court, the Federal Circuit ruled the patents were invalid for obviousness, despite the fact that the district court judge found the patents were not invalid for obviousness, after taking the issue away from the jury); *see also* Soverain Software LLC v. Victoria's Secret Direct Brand Mgmt., LLC, 778 F.3d 1311, 1313 (Fed. Cir. 2015) (involving a different defendant, the same patents were tried to a jury, and like the judge in *Newegg*, the jury in *Victoria's Secret* found the patents not to be invalid. The Federal Circuit again reversed, based on its earlier obviousness determinations.); InTouch Techs., Inc. v. VGO Comms., 751 F.3d 1327, 1355 (Fed. Cir. 2014) (reversing a jury finding that two patents were obvious, holding, instead, that the patents were not obvious); Metso Minerals, Inc. v. Powerscreen Int'l Dist., Ltd., F. App'x 988, 990 (Fed. Cir. 2013) (reversing a jury finding of non-obviousness because of an improper jury instruction, and finding that the patent "would have been obvious as a matter of law.").

[89] *See* Hana Fin., Inc. v. Hana Bank, 135 S. Ct. 907, 911–12 (2015).

[90] *See* Comm'r of Internal Revenue v. Duberstein, 363 U.S. 278, 289 (1960).

Determining whether one idea is obvious in light of another is similar to determining whether one mark is "legally equivalent" to another, or whether a "gift" is the intention between recipient and sender. Determining what would have been obvious to a person of ordinary skill in the art could be comparable to determining the "sense of the average person" or the "propensities of a reasonable person."[91] The inquiry has a similar human element to it: "A person of ordinary skill is . . . not an automaton."[92] Moreover, determining whether an invention is obvious does not involve "protections of the Bill of Rights."[93]

On the other hand, *Duberstein* cautions that "primary weight . . . must be given to the conclusions of the trier of fact" where the "nature of the [applicable] statutory standard" is "nontechnical."[94] And, unlike determining whether two marks are similar, or determining whether a transfer is a "gift," determining the obviousness of a patent is more "technical," because it requires a measured analysis of the four complex *Graham* factors.[95] Obviousness also requires a more astute cognitive approach because, "a fact finder should be aware . . . of the distortion caused by hindsight bias and must be cautious of arguments reliant upon *ex post* reasoning."[96]

Comparatively, the legal standard applied by the jury in *Hana Financial* is far less complex, as demonstrated by the judge's simple, one-sentence jury instruction: "the marks must create the same, continuing commercial impression,

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[91] *See* Hamling v. United States, 418 U.S. 87, 104–05 (1974).

[92] KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398, 421 (2007).

[93] *Cf.* Lilly v. Virginia, 527 U.S. 116, 136 (1999).

[94] *Duberstein*, 363 U.S. at 289.

[95] Graham, *supra* note 84.

[96] *KSR Int'l Co.,* 550 U.S. at 421.

and the later mark should not materially differ from or alter the character of the mark attempted to be tacked."[97]

Yet it is not clear that a jury instruction's length, or the number of factors to be considered, makes a legal standard more "technical." Juries are often called upon to balance far more factors than the four *Graham* factors underlying the obviousness analysis. For example, elsewhere in patent cases, juries are asked to determine the value of a reasonable royalty by using a fifteen-factor test.[98] And, like the inquiry regarding obviousness, finding what a reasonable royalty would have been if negotiated at a previous point in time also requires the juror to "be aware . . . of the distortion caused by hindsight bias and [to] be cautious of arguments reliant upon *ex post* reasoning."[99]

There is also the other "technical" component to the obviousness inquiry—the technology itself. Justice Frankfurter noted that it was "an old observation that the training of Anglo-American judges ill fits them to discharge the duties cast upon them by patent legislation."[100] Juries suffer the same lack of training, such that determining what is obvious to a person of ordinary skill in the art is not, in fact, comparable to assessing negligence or applying the "reasonable man" standard. Unlike in those cases, the juror's "views of the average person in the community or vicinage from which he comes"[101] may not be sufficient to

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[97] Hana Fin., Inc. v. Hana Bank, 135 S. Ct. 907, 910 (2015).

[98] LaserDynamics, Inc. v. Quanta Computer, Inc., 694 F.3d 51, 60 n. 2, 76 (Fed. Cir. 2012) (citing and relying on the fifteen factors in Georgia-Pac. Corp. v. United States Plywood Corp., 318 F. Supp. 1116 (S.D.N.Y. 1970)).

[99] *Cf. KSR Int'l Co.,* 550 U.S. at 421.

[100] Marconi Wireless Telegraph Co. of Am. v. Unites States, 320 U.S. 1, 60–61 (1943) (Frankfurter, J., dissenting in part).

[101] *Cf.* Hamling v. United States, 418 U.S. 87, 104–05 (1974).

disclose to him the inclinations of a person with a significantly higher education and experience in the technical arts, as is often required in assessing a patent's obviousness.

The Supreme Court's concern about whether issues were "nontechnical" concerned *legal standards*, not the technicality of the facts.[102] Juries are often called upon to analyze highly technical fact patterns, including white-collar crimes, civil disputes involving complex contractual terms, and tort and other lawsuits that turn on scientific evidence. In researching this article, this author was unable to find any Supreme Court case in which the fact that complex technology was involved provided a reason to stray from the constitutional right to a jury trial. In fact, the Supreme Court has pointed out that patent law issues are particularly amenable to deferential review because of their technical nature. In discussing who should determine equivalence under the doctrine of equivalents, the Supreme Court held:

> [i]t is to be decided by the trial court and that court's decision, under general principles of appellate review, should not be disturbed unless clearly erroneous. Particularly is this so in a field where so much depends upon familiarity with specific scientific problems and principles not usually contained in the general storehouse of knowledge and experience.[103]

V. OTHER SUPREME COURT CASES FAVOR GRANTING GREATER DEFERENCE TO FACT FINDERS

[102] *See* Comm'r of Internal Revenue v. Duberstein, 363 U.S. 278, 289 (1960).

[103] Graver Tank & Mfg. Co. v. Linde Air Prods. Co., 339 U.S. 605, 610 (1950).

The Supreme Court's recent decisions in patent cases show a trend toward granting greater deference to fact finders and reducing the *de novo* review power of the Federal Circuit.

For example, in *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*[104] and *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, the Supreme Court held that greater deference must be paid to district court decisions regarding whether patent cases are "exceptional" for purposes of Section 285 of the Patent Act.[105] That section states, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party."[106]

Previously, in *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*,[107] the Federal Circuit had held that a "case may be deemed exceptional" under § 285 only in two limited circumstances: "when there has been some material inappropriate conduct," or when the litigation is both "brought in subjective bad faith" and is "objectively baseless."[108] The Federal Circuit had also held that the subjective bad faith prong "must be established with clear and convincing evidence," and that, because the objective prong is a "question of law based on underlying mixed questions of law and fact," it should be reviewed *de novo*, without deference to the findings and determination of the district court.[109]

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[104] 134 S. Ct. 1749, 1756 (2014).

[105] 134 S. Ct. 1744, 1748–49 (2014).

[106] 35 U.S.C. § 285 (1952).

[107] 393 F.3d 1378 (2005).

[108] *Id.* at 1381.

[109] Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc., 687 F.3d 1300, 1309–10 (Fed. Cir. 2012), *vacated and remanded by* Highmark Inc. v. Allcare Health Mgmt. Sys., Inc., 134 S. Ct. 1744, 188 L. Ed. 2d 829 (2014).

Under this framework, even if a litigant were able to convince a district court judge that the case was exceptional, he would also have to convince a three-judge panel of the Federal Circuit, which gives no deference to the district court's findings.

In *Octane Fitness*, the Supreme Court overruled *Brooks Furniture*, finding its "formulation too rigid." The Court held that "an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position . . . or the unreasonable manner in which the case was litigated."[110] And in *Highmark*, the Supreme Court further held that all determinations under the exceptional case doctrine are to be reviewed on appeal only for an abuse of the district court's discretion.[111] The Court noted that, traditionally, "decisions on 'questions of law' are 'reviewable *de novo*,' decisions on 'questions of fact' are 'reviewable for clear error,' and decisions on 'matters of discretion' are 'reviewable for abuse of discretion.'"[112]

Similarly, in *Gunn v. Minton*, the Supreme Court held that state legal malpractice claims based on underlying patent matters do not arise under federal patent law for purposes of 28 U.S.C. § 1338, and the Court removed the Federal Circuit's ability to dictate to district courts what constitutes malpractice in patent cases.[113] Section 1338 gives federal courts original jurisdiction over "any civil action arising under any Act of Congress relating to patents."[114] Prior to *Gunn*, the Federal Circuit had routinely

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[110] *Octane Fitness, LLC,* 134 S. Ct. at 1756.

[111] Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.,134 S. Ct. 1744, 1748–49 (2014).

[112] *Id.*

[113] 133 S. Ct. 1059, 1068 (2013).

[114] 28 U.S.C. § 1338 (2011).

held that legal malpractice claims with underlying patent issues were subject to federal jurisdiction and that appellate review was exclusively reserved for the Federal Circuit, relying on its own decisions in *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*[115] and *Immunocept, LLC v. Fulbright & Jaworski, LLP*.[116] The Federal Circuit had also twice declined to hear the issue *en banc*.[117] The Supreme Court granted certiorari in *Gunn*, removed from the Federal Circuit's jurisprudence the patent malpractice claims it had been hearing, and prevented the Federal Circuit from imposing its own standards of what constituted legal malpractice in patent cases.

VI. OBVIOUSNESS MAY BE MORE APPROPRIATELY DESIGNATED A QUESTION OF FACT THAN ONE OF LAW

In line with granting more deference to a jury's determination on the question of obviousness, it may be appropriate to revisit whether obviousness should be treated as an issue of fact rather than a mixed question of fact and law. Although the Supreme Court has held that obviousness is ultimately a question of law based on the four *Graham* factors,[118] there is precedent and support for reconsidering this approach.

Obviousness under § 103 grew out of a tortured body of law that addressed the extent to which a patent could issue for a combination of elements that were disclosed in

[115] 504 F.3d 1262, 1265 (Fed. Cir. 2007).

[116] 504 F.3d 1281, 1283 (Fed. Cir. 2007).

[117] *See* Byrne v. Wood, Herron & Evans, LLP, 676 F.3d 1024 (Fed. Cir. 2012); Memorylink Corp. v. Motorola, Inc., 676 F.3d 1051 (2012).

[118] *See* KSR Intern. Co. v. Teleflex Inc., 550 U.S. 398, 427 (2007); Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 17–18 (1966).

different pieces of prior art.[119] It had long been recognized that a mere combination of known elements was not necessarily entitled to a patent—that the combination had to qualify as an "invention."[120] The Supreme Court admitted that its jurisprudence in the area used "imprecis[e] language," which had led to "nothing but confusion."[121] In addition, courts were split about how to analyze whether there was sufficient inventiveness, and whether the analysis was one of fact or law.[122] For example, in 1936, in *U.S. v. Esnault-Pelterie*, the Supreme Court held that "[v]alidity [is an] ultimate fact . . . on which depends the question of liability . . . [that is] to be decided by the jury."[123]

However, fourteen years later, in 1950, the Supreme Court complicated this inquiry in *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp*.[124] The issue in *Great Atl. & Pac. Tea* was whether a patent for a combination of known elements was valid.[125] After the district court held it was,

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[119] *See generally* Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 14–17 (1966); *see also* Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp., 340 U.S. 147, 151 (1950) ("While this Court has sustained combination patents, it never has ventured to give a precise and comprehensive definition of the test to be applied in such cases. The voluminous literature which the subject has excited discloses no such test. It is agreed that the key to patentability of a mechanical device that brings old factors into cooperation is presence or lack of invention.") (footnotes omitted).

[120] Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 11 (1966) (citing Hotchkiss v. Greenwood, 52 U.S. 248, 11 How. 248 (1851)).

[121] Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp., 340 U.S. 147, 151 (1950).

[122] Robert L. Sherman, *Obviousness: A Question of Law or of Fact?*, 51 J. PAT. OFF. SOC'Y 547, 547 (1969).

[123] United States v. Esnault-Pelterie, 299 U.S. 201, 205 (1936).

[124] *Great Atl. & Pac. Tea Co.*, 340 U.S., at 147.

[125] *Id.* at 148–49.

the majority on the Supreme Court ruled that the trial court had erred by applying an incorrect legal standard: "a standard of invention appears to have been used that is less exacting than that required."[126] Notably, the majority did not hold that, using the correct standard, obviousness was a question of law as opposed to one of fact.

In a concurrence, Justice Douglas, joined by Justice Black, analyzed the issue as one involving a constitutional threshold.[127] Justice Douglas opined that Article 1, § 8 of the Constitution authorized Congress to grant patents only for *inventions*, and that, "to justify a patent, [the invention] had to serve the ends of science—to push back the frontiers of chemistry, physics, and the like, to make a distinctive contribution to scientific knowledge."[128] Justice Douglas thus added that "[t]he standard of patentability is a constitutional standard; and the question of validity of a patent is a question of law."[129]

Two years later, Congress addressed the combination patent issue by including § 103 in the Patent Act of 1952.[130] Section 103 requires that:

> A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention

[126] *Id*. at 154.

[127] *Id.* (Douglas, J., concurring).

[128] *Id.*

[129] *Id.* at 155.

[130] Patent Act of 1952, 82 Pub. L. 593, § 103, 66 Stat. 792, 798 (1952).

> pertains. Patentability shall not be negated by the manner in which the invention was made.[131]

Thus, § 103 provides a test for whether patents that cover combinations of known elements are sufficiently inventive.

However, even following the Patent Act of 1952, courts remained split regarding whether obviousness was a question of fact or law. For example, the First, Sixth, and Eighth Circuits, along with the Court of Customs and Patent Appeals, treated obviousness as a question of fact, following the *Esnault-Pelterie* doctrine.[132] Courts in the Second, Fourth, Seventh, Ninth, and Tenth Circuits followed Justice Douglas's concurrence in *Great Atl. & Pac. Tea*, and held that obviousness was a question of law.[133]

In *Graham*, the first Supreme Court decision addressing § 103 held:

> [w]hile the ultimate question of patent validity is one of law, *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, *supra*, 340 U.S. at 155, the § 103 condition, which is but one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries.[134]

Thus, the *Graham* Court followed Justice Douglas's concurrence in *Great Atl. & Pac. Tea*. But the Supreme Court did not indicate whether it agreed with Justice Douglas's reasoning—that obviousness determinations involved the analysis of a constitutional threshold under

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[131] 35 U.S.C. § 103 (2012).

[132] Robert L. Sherman, *Obviousness: A Question of Law or of Fact?*, 51 J. PAT. OFF. SOC'Y 547, 549–52 (1969).

[133] *Id.* at 552–57.

[134] Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 17 (1966).

Article 1, § 8.[135] And in its cases issued since, the Supreme Court has not indicated why obviousness under § 103 is a question of law. With the progression of time and further development of the law, it may be appropriate to revisit this issue.

First, the Supreme Court has not articulated whether the § 103 obviousness test is coextensive with the Article 1, § 8 requirement. If § 103 is not a constitutional test, but is instead a mere statutory standard,[136] then Justice Douglas's rationale would not apply—the appellate court should not review *de novo* whether the invention is obvious under § 103, but should instead reserve its *de novo* review for analyzing whether the invention satisfies the threshold Article 1, § 8 requirement.

Even if Congress's § 103 test is deemed the threshold for satisfying Article 1, § 8, there are reasons for deferring the obviousness test to the jury, as discussed in Section IV, *supra*.[137] Obviousness is not the type of constitutional threshold issue that would benefit from "*de novo* review . . . to unify precedent and . . . come closer to providing law

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[135] *Id.* at 3–37.

[136] For example, in Comm'r of Internal Revenue v. Duberstein, 363 U.S. 278 (1960), the issue of whether the item transferred was a "gift" was not a constitutional question, but was rather a mere statutory standard applied by Congress in the tax code for the determination of certain tax liabilities.

[137] *See, e.g.*, Rebecca S. Eisenberg, *The Supreme Court and the Federal Circuit: Visitation and Custody of Patent Law*, 106 MICH. L. REV. 28, 32 (2007), *available at* http://repository.law.umich.edu/cgi/viewcontent.cgi?article=2206&context=articles [http://perma.cc/92WG-LX46] (noting that "by affirming that the ultimate determination of obviousness is a question of law rather than a question of fact, the Supreme Court left intact the plenary review power that has allowed the Federal Circuit to reshape obviousness doctrine over the years").

enforcement officers with a defined set of rules."[138] Nor does it involve any special rights endowed by the Constitution under the Bill of Rights.[139] Moreover, appellate courts would still have the power to overturn a jury verdict of validity where substantial evidence does not support the verdict or where the district court clearly errs.

Second, if obviousness were a question of fact, it would help bring consistency to appellate review of patent validity issues. In line with the *Esnault-Pelterie* doctrine, anticipation under § 102 has long been treated as an issue of fact, tracing through a different lineage of Supreme Court cases,[140] which in turn cite English authority.[141] Otherwise, the two interrelated doctrines by which the validity of a patent is measured over prior inventions (anticipation under § 102 and obviousness under § 103) will continue to be judged by different standards.[142]

Finally, the question itself rings of a factual inquiry, quintessentially appropriate for a jury's resolution. "Would it have been obvious?" bears strong resemblance to the

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[138] Ornelas v. United States, 517 U.S. 690, 696 (1996) (internal quotation omitted); *see also* Thompson v. Keohane, 516 U.S. 99, 106 (1995) (noting that "uniformity among federal courts is important on questions of this order").

[139] *Cf.* Bose Corp. v. Consumers Union of U.S., Inc., 466 U.S. 500–02 (1984).

[140] *See, e.g.*, Coupe v. Royer, 155 U.S. 565, 578 (1895) (citing Bischoff v. Wethered, 76 U.S. 812 (1870)). This body of law made it into modern day jurisprudence through Kalman v. Kimberly-Clark Corp., 713 F.2d 760, 771 (Fed. Cir. 1983).

[141] *Bischoff*, 76 U.S. at 815–16 (citing Bovill v. Pimm, 36 English Law and Equity, 441; Betts v. Menzies, 1 Ellis & Ellis, Q.B. 999; and Bush v. Fox, 38 English Law and Equity, 1).

[142] Additionally, the Federal Circuit has "long held" that invalidity under § 112's written description requirement "is a question of fact." Ariad Pharmaceuticals, Inc. v. Eli Lilly and Co., 598 F. 3d 1336, 1351 (Fed. Cir. 2010).

jury's most commonly asked question of fact: "would it have been reasonable?" As one scholar has noted:

> [O]ne cannot help but notice the striking similarity between a "person having ordinary skill in the art" in patent litigation, and the familiar and age-old "reasonably prudent man" at common law. Since, undisputedly, the determination of whether the performance of a particular act was to be expected of "the reasonable man" is normally a question of fact, by analogy, the question of whether the differences between the subject matter to be patented and the prior art would have been obvious to a "person having ordinary skill in the art" should likewise be one for the fact finder . . . . Since what the prior art was and what the patentee did to improve upon it are questions of fact, and the determination of who is a "person having ordinary skill in the art" is also one of fact, it is logically concluded that whether the differences between the subject matter to be patented and the prior art would have been obvious to this "man of ordinary skill" is also a question of fact.[143]

VII. CONCLUSION

The Supreme Court's decisions in *Teva* and *Hana Financial* grant greater deference to the trial court on various issues, including factual findings underlying mixed questions of fact and law, and the ultimate determination on mixed questions of fact and law. These cases suggest that the Supreme Court would give jury verdicts and judge decisions regarding obviousness more deference than the Federal Circuit currently provides. Whether the Federal Circuit will be more deferential to jury and district court judge findings on the ultimate question of obviousness remains to be seen.

[143] Sherman, *supra* note 132, at 552.