PATENT STEWARDSHIP, CHOICE OF LAW, AND WEIGHING COMPETING INTERESTS

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Many have criticized the Federal Circuit over the years for expanding its jurisdiction or applying its own law in inappropriate circumstances.[1] Paul Gugliuzza, for example, recently argued that the Federal Circuit has wrongly expanded its jurisdiction "to protect and enhance its power relative to state courts,"[2] and that it "has improperly leveraged choice-of-law doctrine to expand the scope of federal common law and restrict the scope of state contract law."[3] In this regard, Xuan-Thao Nguyen's article, *In the Name of Patent Stewardship: The Federal Circuit's Overreach into Commercial Law*,[4] might be seen as "piling on"—simply more detailed evidence of overreaching by the nation's patent court, which is troubling, but familiar.

It is quite another thing, however, to criticize the Federal Circuit for systematically arriving at wrong conclusions in matters of commercial law traditionally governed by state law and state courts. This is a new critique, and it is important for at least two potential reasons that Nguyen highlights. First, to the extent that the Federal Circuit's decisions related to commercial law differ from state courts' decisions related to commercial law, it might call into question the Federal Circuit's competency with respect to commercial law.[5] And, second, it certainly highlights something that practitioners might need to know to adapt their advice and strategies for reaching their clients' desired ends.[6] Indeed, Nguyen makes both claims, and not without a substantial basis in both her expertise and analysis.[7]

But Nguyen's critique is important for a third reason. Assuming the Federal Circuit's competency, her critique calls into question the Federal

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1. *See, e.g.*, James B. Gambrell, *The Evolving Interplay of Patent Rights and Antitrust Restraints in the Federal Circuit*, 9 TEX. INTELL. PROP. L.J. 137, 139–47 (2001).

2. Paul R. Gugliuzza, *The Federal Circuit as a Federal Court*, 54 WM. & MARY L. REV. 1791, 1807 (2013).

3. *Id.* at 1819.

4. 67 FLA. L. REV. 127 (2015).

5. *See id.* at 153–54, 157 ("lack of understanding"; "weak grasp"; "fails to recognize fundamental concepts in commercial law"; "failed to understand state law on secured transactions, preference, and fraudulent transfer under California statutes and case law").

6. *See id.* at 128–30 (describing how a commercial lawyer might be "speechless" given the Federal Circuit's decisions).

7. Nguyen is an expert at the intersection of commercial law and intellectual property, having published numerous law review articles and textbooks on point. *See generally, e.g.*, Xuan-Thao Nguyen, *Financing Innovation: Legal Development of Intellectual Property as Security in Financing, 1845–2014*, 48 IND. L. REV. 509 (2015); JEFFREY A. MAINE & XUAN-THAO N. NGUYEN, INTELLECTUAL PROPERTY TAXATION: TRANSACTION AND LITIGATION ISSUES (2003). Beyond her expertise, Nguyen's detailed analysis comparing the Federal Circuit's decisions with state commercial law speaks for itself. *See* Nguyen, *supra* note 4 at 131–69.

Circuit's reasoning and motivation, not only for its repeated decisions to follow its own law rather than state commercial law, but also for its substantive conclusions. In other words, the preliminary question is: Why is the Federal Circuit choosing its own law rather than state commercial law? But the next question is perhaps more important: Why does the Federal Circuit's law result in different outcomes when compared to state commercial law? The Federal Circuit leaves these questions unanswered—even unaddressed. Nguyen's implicit accusation is that there is no good reason for the Federal Circuit to choose its own law, particularly when it leads to a different result.

With regard to the preliminary question, it is important to note that two of the three decisions she highlights resolved jurisdictional challenges on grounds of lack of constitutional standing by plaintiffs.[8] In these two cases the Federal Circuit was not merely deciding questions of commercial law. In the first case, for example, it was not just deciding a question of state contract law governing sales and purchases of assets. Nor was the Federal Circuit, in the second case, just deciding a question of state law governing liquidating trusts. No, in these two cases the court was addressing these issues as predicates to the ultimate question of constitutional standing; they were subsidiary issues. To be precise, in the first case the subsidiary issue was exactly when the plaintiff acquired legal title to the patent-in-suit, where this issue needed to be addressed for purposes of a constitutional standing analysis.[9] And in the second case, the subsidiary issue was whether the plaintiff suffered injury in fact, where this issue likewise needed to be addressed to determine constitutional standing.[10]

Nguyen effectively characterizes these subsidiary issues as legal questions governed by state commercial law. That may be true. What is missing in these two cases is any analysis of whether state contract law or Federal Circuit constitutional standing law should apply in these circumstances to resolve these underlying issues. The Federal Circuit simply applied its precedent on the matter of constitutional standing. An actual analysis of choice of law would have to confront critical doctrines that state courts do not confront when they decide only the underlying questions of commercial law: supremacy, federalism, and uniformity. It is these doctrines that the Federal Circuit fails to engage. Which doctrine

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8. Abraxis Bioscience, Inc. v. Navinta LLC, 625 F.3d 1359, 1368 (Fed. Cir. 2010); (reversing the denial of a motion to dismiss for lack of constitutional standing); Morrow v. Microsoft Corp., 499 F.3d 1332, 1344 (Fed. Cir. 2007) ("Since GUCLT fails to meet constitutional standing requirements, it cannot be a party to this suit for patent infringement.").

9. Abraxis Bioscience, 625 F.3d at 1366–68 ("Even if the November 12, 2007 agreement is considered to be a *nunc pro tunc* assignment, for purposes of standing, Abraxis was required to have legal title to the patents on the day it filed the complaint and that requirement can not be met retroactively.").

10. Morrow, 499 F.3d at 1339 n.5 (noting the court would "only discuss injury in fact, which is dispositive of this case").

should trump the other? Traditional notions of the supremacy of federal law might indicate that the Federal Circuit's standing law should prevail. Traditional notions of federalism might indicate that state commercial law should prevail. And uniformity is a doctrine that the Federal Circuit has repeatedly cited as a reason for it to apply its own law in patent cases.[11] For her part, Nguyen focuses on federalism, but she does not address competing concerns with supremacy and uniformity.[12] Confronting these doctrines would require consideration of whether constitutional standing in any particular case should turn on the applicable state commercial law, and whether this would create any (or too much) uncertainty. These doctrines might explain the Federal Circuit's decision to apply its own law.

With regard to the second question, what Nguyen has identified—other than potential incompetency, teaching moments for practicing attorneys, and a missing choice-of-law analysis—is a potential tension between the policies underlying the Federal Circuit's constitutional standing law and the policies underlying state commercial law. In short, what is particularly troubling is that the Federal Circuit has not explained why, when it applies its own law of constitutional standing, it reaches conclusions that do not appear to coincide with state commercial law and, moreover, why that is okay. It is apparent that Nguyen finds the policies underlying state commercial law—to "encourage corporate commercial transactions such as asset transfers" and to enable a bankruptcy trustee "to pursue causes of action for its beneficiaries, to oversee various litigation and tax matters, to prosecute avoidance actions, or to complete distributions to unsecured creditors"—to be particularly beneficial.[13] But she has not explicitly addressed competing concerns underlying constitutional standing, such as "ensuring that litigants are truly adverse and therefore likely to present the case effectively" and "ensuring that the people most directly concerned are able to litigate the questions at issue."[14]

In sum, Nguyen has made a substantial contribution to the analysis of the Federal Circuit's handling of matters related to state law. Further analysis of two issues, at least with respect to two of the three cases she highlights, however, would be helpful: (1) choice of law given the doctrines of supremacy and uniformity; and (2) whether the policies underlying constitutional standing trump the policies underlying

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11. *See, e.g.*, Madstad Eng'g, Inc. v. U.S. Patent & Trademark Office, 756 F.3d 1366, 1371 (Fed. Cir. 2014) (applying Federal Circuit, rather than regional circuit, law in part because "[t]he importance of the matters raised . . . to the continued uniform application of the patent laws is clear"). Both *Abraxis* and *Morrow* are patent cases. *See* Abraxis Bioscience, 625 F.3d at 1360 (describing claims of patent infringement); Morrow, 499 F.3d at 1334–35.

12. Nguyen, *supra* note 4 at 166–67.

13. *Id.* at 134, 158.

14. William A. Fletcher, *The Structure of Standing*, 98 YALE L.J. 221, 222 (1988).

commercial law. With regard to these issues, neither the Federal Circuit nor Nguyen have made their case. An explicit analysis of these issues by Nguyen would no doubt redound to the great benefit of the Federal Circuit and its bar.