Retroactivity and the Federal Circuit

Perhaps unwittingly, the Federal Circuit frequently startles the patent law community with rulings that reduce the value of previously issued patents. Of course, the Federal Circuit knows that some of its decisions have significant effects on issued patents. En banc decisions fall within this category, as they typically deal with important issues and elicit numerous amici filings. Many “run of the mill” Federal Circuit decisions, however, also impair issued patents while escaping significant attention. These decisions often make more subtle changes in how courts must construe patent claims, evaluate the propriety of behavior during patent prosecution, or determine the validity or infringement of a patent. The holdings of these decisions may be just as disruptive to the patent community as en banc decisions.

For patent applications that are filed after the date of a particular Federal Circuit decision, educated patent lawyers and inventors in most cases can avoid the holdings of the decision by carefully drafting a patent application. Thus, the prospective effect of many decisions is usually minor on patents yet to be drafted. However, the effects from judicial decisions are quite strong on issued patents and for pending patent applications. For these patents and applications, most or all of the relevant activity -- drafting the specification and interacting with the Patent Office -- has already occurred, and consequently is unchangeable. Federal Circuit decisions often move the law in unexpected directions, and lawyers cannot predict these developments and plan ahead to cover for contingencies, even with continuation applications. In fact, some decisions turn the conventional patent lawyer wisdom on its head. For example, means-plus-function claim terms were considered historically the broadest way to claim an invention. Federal Circuit decisions resulted in the opposite rule: means-plus-function claim terms were construed more narrowly. In sum, Federal Circuit decisions apply retroactively to issued patents, often automatically transforming strong patents into weak ones.

Unlike the debate that occurs before legislative changes, the judiciary infrequently considers the retroactive effect of its decisions. And the Federal Circuit in particular rarely mentions it. This article provides numerous examples of Federal Circuit opinions that significantly altered patent value. It then proposes a framework for considering when opinions should be given retroactive effect.