No. 17-1707

IN THE

Supreme Court of the United States

NICHIA CORPORATION AND
NICHIA AMERICA CORPORATION,
Petitioners,

v.

EVERLIGHT ELECTRONICS CO., LTD., EMCORE
CORPORATION AND EVERLIGHT AMERICAS, INC.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* FUJIFILM HOLDINGS CORPORATION IN SUPPORT OF THE PETITIONERS

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QUESTIONS PRESENTED

1. This Court has repeatedly held that whether a patent is invalid as obvious is a question of law, though it may depend on subsidiary factual findings. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 418, 427 (2007); *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17-18 (1966). Should an appellate court review the ultimate legal question of obviousness de novo, as the Seventh and Ninth Circuits have held and as the Federal Circuit held before 2012, or must the appellate court defer to a jury's conclusion even on the ultimate legal question, as the Federal Circuit has repeatedly held in patent cases since 2012?

2. Alternatively, if this Court were to conclude that obviousness presents a "mixed" question of law and fact, as the Federal Circuit now treats it, should this Court grant certiorari, vacate, and remand this case to determine whether appellate review of that "mixed" question should be de novo or deferential in light of *U.S. Bank National Association ex rel. CWCaptial Asset Management LLC v. Village at Lakeridge, LLC*, 138 S. Ct. 960, 967 (2018), a case decided after the Federal Circuit decision here?

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STATEMENT OF INTEREST OF AMICUS CURIAE

Pursuant to Supreme Court Rule 37, FUJIFILM Holdings Corporation (Fuji) respectfully submits this brief in support of petitioners Nichia Corporation and Nichia America Corporation, urging that this Court grant certiorari to confirm that obviousness is a question of law to be determined in the first instance by a district court, and reviewed de novo on appeal, and to correct the Federal Circuit's newly adopted view that obviousness is a mixed question of fact and law. This question is one of great importance because it has implications for the stability, predictability, and uniform application of the patent statutes that serve the constitutional goals of stimulating invention and rewarding the disclosure of novel and useful advances in technology.[1]

Amicus Curiae, through its group companies, has three business fields of imaging solutions, healthcare and material solutions, and document solutions and relies on the patent system to protect its innovations. Like petitioners, Fuji's and its group companies' inventors devote years of effort to innovations

[1] Pursuant to this Court's Rule 37.2, all parties with counsel listed on the docket have consented to the filing of this brief. Counsel of record for all listed parties received notice at least 10 days prior to the due date of the Amicus Curiae's intention to file this brief.

Pursuant to Rule 37.6, Amicus Curiae affirms that no counsel for any party authored this brief in whole or in part, and no counsel or party or person other than the *amicus curiae or its counsel* made a monetary contribution intended to fund the preparation or submission of this brief.

relating to their products, and have secured numerous patents to protect those innovations. Like petitioners, Fuji's inventors devote years of effort to innovations relating to Fuji's products, and have secured numerous patents to protect those innovations. Fuji believes that the Federal Circuit has created confusion by characterizing obviousness under Section 103(a) of the Patent Act, 35 U.S.C. § 103(a), as a "mixed question of law and fact," and has adopted an overly deferential standard of review that contributes to inconsistency in applying the test for obviousness and hurts innovation. The Federal Circuit's approach is inconsistent with the view of this Court that obviousness is a question of law reserved for the court (not the trier of fact). The uncertainty created by the Federal Circuit's deviation from well-established law harms companies like Nichia and Fuji that depend on the patent statutes to protect their innovations; stable and predictable patent rights (particularly the validity of patent rights) are central factors in Fuji's and its group companies' decision to invest in research and development to support new inventions. Fuji respectfully urges the Court to grant the petition to correct the error of recent Federal Circuit precedent and confirm that obviousness remains a question of law for the court that is subject to independent review on appeal.

SUMMARY OF THE ARGUMENT

This case presents an issue of considerable importance, as the right to promote the progress of science and useful arts by preserving the exclusive rights of the inventors to use those discoveries is rooted in the United States Constitution, art. I, § 8,

cl. 8. Nonobviousness is a condition of patentability of an invention. 35 U.S.C. § 103. As this Court has repeatedly held, obviousness is a question of law, though it may have factual underpinnings. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 418, 427; *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17-18 (1966).

As Nichia's petition demonstrates, the Federal Circuit has recently departed from this Court's precedent, its own precedent, and that of the Seventh and Ninth Circuits, and now treats the question of obviousness as a mixed question of fact and law. *Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1356 (Fed. Cir. 2012). This Court has recognized in other contexts the importance of independent review of questions of law by appellate courts as a means for ensuring uniform precedent and consistent application of important legal principles, even where those legal principles are evaluated based on underlying facts. These same interests are present in this context and accentuate the need for independent appellate review of obviousness determinations. Fuji submits this brief to emphasize the importance of preserving the district court judge's determination (and an appellate court's independent review of) the ultimate legal determination of obviousness.

Fuji urges this Court to grant the petition to clarify that obviousness remains a question of law subject to independent review on appeal.

REASONS FOR GRANTING THE PETITION

I. This Court's Review Is Necessary To Reinforce the Distinct Institutional Roles of Judge and Jury in Obviousness Determinations.

Petitioners have convincingly demonstrated that the Federal Circuit has departed from the longstanding rule that obviousness is a question of law exclusively and independently determined by judges and not juries, which is rooted in important policies of the patent system. Pet. 10-24. Those well-crafted arguments do not need repetition here.

Fuji instead wishes to emphasize that the Federal Circuit's new conception of obviousness as "a mixed question of fact and law," *see, e.g.*, *Hologic, Inc. v. Smith & Nephew, Inc.*, 884 F.3d 1357, 1361 (Fed. Cir. 2018), simply creates confusion. That rubric typically applies when the fact- and law-determination functions are united in a district judge, and the appellate court is attempting to sort out which rulings of the district judge receive deferential versus *de novo* review. *See infra*. But that rubric has little relevance here; the district judge has a distinct institutional role from the jury (deciding the legal question of whether obviousness has been established), and courts of appeals must review that question *de novo* while giving the jury's findings of subsidiary facts the deferential review normally accorded to jury verdicts (unless the jury's verdict is merely advisory, Fed. R. Civ. P. 39(c), Pet. 15, 22-23). This Court should vindicate the established rule that obviousness is a question of law, based on underlying

facts, to enforce the distinct institutional roles of judge and jury in applying section 103.

II. This Court Consistently Grants Review To Ensure the Proper Determination of Legal Questions by Courts.

Even apart from reinforcing the distinct institutional roles of judge and jury in obviousness determinations, this Court's review is necessary to establish the need for searching appellate review of obviousness determinations.

In a variety of analogous contexts, this Court has consistently recognized the legal character of many important determinations that are intertwined with underlying factual questions—for example, when deciding the questions of reasonable suspicion and probable cause, the voluntariness of a confession, and the excessiveness of punitive damages. *See Cooper Indus. v. Leatherman Tool Group, Inc.*, 532 U.S. 424 (2001); *Ornelas v. United States*, 517 U.S. 690 (1996); *Miller v. Fenton*, 474 U.S. 104 (1985).

In *Ornelas v. United States*, this Court evaluated the appropriate standard of review of the legal determinations of reasonable suspicion to conduct and investigatory stop and probable cause to perform a warrantless search of a car. Recognizing that reasonable suspicion and probable cause are questions of law that must be decided based on the unique facts and circumstances in each case, this Court reasoned that a policy of sweeping deference to trial courts would permit the application of these legal principles to turn on whether different trial court judges draw general conclusions that the facts are sufficient or insufficient to constitute reasonable suspicion and probable cause. 517 U.S. at 696-97.

"Such varied results would be inconsistent with the idea of a unitary system of law." *Ornelas*, 517 U.S. at 697. Ultimately, "[d]e novo review tends to unify precedent." *Id.* at 697-98. "Independent review is therefore necessary if appellate courts are to maintain control of, and to clarify, the legal principles." *Id.* (citing *Miller*, 474 U.S. at 114). Even recognizing the multifaceted inquiry into reasonable suspicion and probable cause that seldom results in useful precedent for other cases, the Court found value in unifying precedent and stabilizing the law. *See id*. at 698.

Cooper Industries v. Leatherman Tool Group, Inc. applied the reasoning in *Ornelas* to appellate court review of district court determinations of the constitutionality of punitive damages awards:

> The reasons we gave in support of th[e] holding [in *Ornelas*] are equally applicable in this case. First, as we observed in *Ornelas*, the precise meaning of concepts like "reasonable suspicion" and "probable cause" cannot be articulated with precision; they are "fluid concepts that take their substantive content from the particular contexts in which the standards are being assessed." *Id.* at 696. That is, of course, also a characteristic of the concept of "gross excessiveness." Second, "the legal rules for probable cause and reasonable suspicion acquire content only through application. Independent review is therefore necessary if appellate courts are to

> maintain control of, and to clarify, the legal principles. *Id.* at 697. Again, this is also true of the general criteria set forth in *Gore*; they will acquire more meaningful content through case-by-case application at the appellate level. "Finally, de novo review tends to unify precedent" and "stabilize the law." *Id.* at 697-96.

532 U.S. at 436.

The rationale in *Ornelas* and *Cooper Industries* is supported by its earlier holding in *Miller v. Fenton*. There, the Court held that the ultimate legal issue of "voluntariness" of a confession in federal habeas proceedings warrants independent review on appeal and is not a factual determination entitled to a presumption of correctness under 28 U.S.C. § 2254(d). 474 U.S. at 112. Certainly, the "subsidiary factual questions, such as whether a drug has the properties of a truth serum . . . or whether in fact the police engaged in the intimidation tactics alleged by the defendant" retain their § 2254(d) presumption. *Id.* But the "ultimate question" of whether the confession was obtained in a manner consistent with Constitutional protections is a matter for independent federal determination. *Id.* More generally, as the court explained in *Miller*, where "the relevant legal principle can be given meaning only through its application to the particular circumstances of a case, the Court has been reluctant to give the trier of fact's conclusions presumptive force and, in so doing, strip a federal appellate court of its primary function as an expositor of law." *Id.* at 114.

This same reasoning animates the doctrine that obviousness is a question of law to be reviewed de novo by the Federal Circuit. Like those legal principles in *Ornelas*, *Cooper Industries*, and *Miller*, "[t]he ultimate judgment of obviousness is a legal determination." *KSR*, 550 U.S. at 427; *Graham*, 383 U.S. at 17-18. And as with the unique factual inquiries underlying the legal determinations of reasonable suspicion and probable cause, excessiveness of punitive damages, and voluntariness of a confession, "obviousness is not a question upon which there is likely to be uniformity of thought in every given factual context." *Graham*, 383 U.S. at 18.

Furthermore, there is a "strong federal interest in an interpretation of the patent statutes that is both uniform and faithful to the constitutional goals of stimulating invention and rewarding the disclosure of novel and useful advances in technology." *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 649 (1999) (citing *Graham*, 383 U.S. at 9); *see also Graham*, 383 U.S. at 17-18 (articulating the testfor obviousness for the express purposes of ensuring the uniformity and definiteness Congress called for in the Patent Act of 1952). It is therefore critical to preserve independent and searching review by the Federal Circuit to streamline the application of the legal doctrine and provide predictability and stability for those relying on its consistent application.

III. The Federal Circuit's Deviation from De Novo Review Has Created Confusion With Regard to the Degree of Deference Owed to a Determination of Obviousness.

There is disarray where Federal Circuit appears to be deciding the question of obviousness effectively as a factual matter.

The Federal Circuit's earlier decisions align with the principles of this Court that legal questions are reserved for the judge and are subject to de novo review on appeal. For example, in *Structural Rubber Products Co. v. Park*, the Federal Circuit explained:

> The statutory standard of patentability rests on a constitutional grant of power. The desire for uniformity in application of that standard, to the end that inventions within its bounds are protected and those outside the metes are struck down, is the recurrent theme in *Graham*. By mandating that validity is a question of law, we understand the Supreme Court to mean that in a bench trial the decision by the trial court with respect to the application of the statute to the facts on the issue of obviousness is a legal decision fully reviewable on appeal. *Jervis B. Webb Co. v. Southern Systems, Inc.*, 742 F.2d 1388, 1393, 222 U.S.P.Q. (BNA) 943, 946 (Fed. Cir. 1984). The introduction of a jury can not change the nature of the obviousness decision. It continues to be a legal issue for the court.

749 F.2d 707, 718-19 (Fed. Cir. 1984). Acknowledging there may be underlying factual disputes, the Federal Circuit articulated the narrow role of the jury to decide only "the disputed factual issues which, when resolved, lead inexorably, in the opinion of the district court, to a determination of obviousness or nonobviousness." *Id.* at 722. By contrast, where there is no underlying factual dispute, "the application of the law to undisputed facts is for the court." *Id.* at 721.

By morphing the obviousness inquiry into a "mixed question of law and fact"[2] the Federal Circuit has confused the responsibility to make the legal determination of obviousness (subject to de novo review) with the responsibility to make subsidiary factual findings (reviewed for substantial evidence). As a result, the Federal Circuit now appears to defer to the fact finder on conclusions on the ultimate question of obviousness, even while it nominally acknowledges there is some need for de novo review. *See, e.g.*, *Ultratec, Inc. v. Sorenson Communications, Inc.*, No. 2017-1161, 2018 WL 2278246, at *2-*4 (Fed. Cir. May 18, 2018) (deferring to the jury's verdict that claims were not invalid for obviousness); *Allied*

[2] *Kinetic Concepts, Inc.*, 688 F.3d at 1356; *see also Hologic, Inc. v. Smith & Nephew, Inc.*, 884 F.3d 1357, 1361 (Fed. Cir. 2018) (describing obviousness as a "mixed question of fact and law"), *Novartis AG v. Torrent Pharms. Ltd.*, 853 F.3d 1316, 1327 (Fed. Cir. 2017) (same); *Allied Erecting & Dismantling Co. v. Genesis Attachments, LLC*, 825 F.3d 1373, 1380 (Fed. Cir. 2016) (same); *Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359, 1366 (Fed. Cir. 2016) (same); *ABT Sys., LLC v. Emerson Elec. Co.*, 797 F.3d 1350, 1354 (Fed. Cir. 2015) (same); *InTouch Techs., Inc., v. VGO Commc'ns, Inc.*, 751 F.3d 1327, 1339 (Fed. Cir. 2014) (same).

Erecting & Dismantling Co., 825 F.3d at 1382-83 (summarily concluding that because substantial evidence supports the Patent Trial and Appeal Board's factual findings, the patent would have been obvious); *Intelligent Bio-Systems, Inc.*, 821 F.3d at 1365-66, 1370 (observing that the Patent Trial and Appeal Board's "precise legal underpinnings are difficult to discern" but affirming on the basis that its judgment was supported by substantial evidence).

The legal conclusion of obviousness cannot be supported by the "mere conclusory statements" offered by the Federal Circuit; to facilitate review, this analysis should be made explicit. *KSR*, 550 U.S. at 418 (citing *In re Kahn*, 441 F.3d 997, 988 (Fed. Cir. 2006) ("there must be some articulated reasoning with some rational underpinning to support the court's legal determination.")). That articulated reasoning is absent from the Federal Circuit's post-2012 decisions.

Amicus Curiae urges this Court to grant the petition to clarify that obviousness is a question of law that must be reviewed de novo on appeal to restore stability and predictability to these legal determinations and promote uniformity in application of the Patent statutes.

CONCLUSION

For the foregoing reasons, and those stated by petitioners, the petition should be granted.

Respectfully submitted,

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