March 2016

Interlocutory Claim Construction Appeals: A Better Legislative Solution

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I. INTRODUCTION

The notorious *Cybor*[1] decision – an *en banc* ruling that has stood for more than ten years – denies appellate deference to trial court claim construction rulings. *Cybor* has created both a high claim-construction reversal rate and widespread frustration by the trial judiciary over its resultant secondary role in a critical aspect of patent trials.

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* This paper is based upon a presentation *Judicial Patent Reform in the 111th Congress: New Solutions for Known Problems*, 11th Annual Richard C. Sughrue Symposium on Intellectual Property Law and Policy, University of Akron School of Law, Akron, Ohio, March 9, 2009. Helpful criticisms and comments from the writer's colleague, Justin Gray, are acknowledged with great appreciation. This paper has been revised to reflect the current state of patent reform legislation through April 2, 2009. This paper represents the personal views of the writer and does not necessarily reflect the views of any colleague, organization or client thereof. This revision: April 22, 2009.

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1. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (Fed.Cir.1998) (en banc).

Congress now appears on the verge of skirting the *Cybor* issue by a legislative solution authorizing trial courts to delegate claim-construction determinations to the Federal Circuit. This result is achieved through an ill-conceived statutory right of a trial judge to permit interlocutory claim construction appeals at his or her discretion. The appellate body would be effectively powerless to refuse to accept such appeals.[2]

While a fine-tuned judicial reconsideration of *Cybor* may be preferable to this draconian statutory proposal, the urgency shown by Congress suggests a more direct legislative solution to treat the disease and not the symptoms.

This paper commences with a consideration of current reform legislation that is a reaction to *Cybor* and a high claim-construction reversal rate.[3] The problem may be traced to the notorious Federal Circuit opinion in *Cybor*.[4] A surprisingly widely supported proposal for interlocutory claim construction appeals that had been pushed in the 110th Congress has been reformulated in a new version now pending in the Senate.[5]

The Federal Circuit itself has recognized the problems created by the reversal of claim construction rulings.[6] Forgetting legal doctrines for the moment, the problem boils down to the fact that the claim-construction regime in the United States is *very* difficult to understand and apply, even among experts.[7] If two different experts analyze a common claim construction pattern, it is quite likely that two different answers may be found.[8]

What makes the situation untenable is that, if the Federal Circuit takes the opposite view of the trial judge on a close call, a reversal results because there is no deference under the current regime.[9] This is an untenable situation, much as would occur if an

2. William C. Rooklidge & Mansi H. Shah, *Creation of the Right to Interlocutory Appeal of Patent Claim Construction Rulings and Mandatory Stay Pending Appeal*, http://www.patentsmatter.com/issue/pdfs/Interlocutory_Review_Paper.pdf.

3. *See infra* § II, *Congressional Solution to the Cybor Problem.*

4. *See infra* § II-A, *The Cybor Problem.*

5. *See infra* § II-B, *The Proposed Congressional Solution.*

6. *See infra* § III, *Judicial Recognition of the Cybor Challenge.*

7. Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 LEWIS & CLARK L. REV. 231, 247. (2005).

8. Id.

9. *Cybor*, 138 F.3d at 1455.

NFL replay official gave *de novo* review of plays on the field – instead of an NFL equivalent of a "irrefutable evidence" rule.[10]

The obvious answer is to overrule existing case law that provides a *de novo* standard of review and institute an NFL-like standard of irrefutable evidence. It is ironic that Congress will not directly confront the issue by providing a statutory standard for appellate review, while the solution that *is* proposed would create an even more untenable situation that may well create the climate for a *judicial* repeal of *Cybor*.[11]

II. CONGRESSIONAL SOLUTION TO THE *CYBOR* PROBLEM

A. The Cybor *Problem*

There clearly *is* a problem that must be addressed, whether by Congress or the courts: Because claim construction on appeal is a matter for *de novo* review, there is a very high percentage of claim construction appeals as part of *final* court determinations on patent infringement or validity.[12]

A claim-construction determination is generally made in a District Court case only after the trial judge has studied the *factual predicates* for his determination that may involve reading massive amounts of textual material and may involve testimony from technical experts. Nevertheless, the fiction has been created in *Cybor* that claim construction is a purely legal issue, one without factual predicates, and therefore one where zero deference should be given to the trial judge's determination. Hence, "claim construction, as a purely legal issue, is subject to de novo review on appeal."[13]

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10. *See* infra § IV, *The Common Sense Lessons under the NFL Replay Hood.*

11. *See infra* § V, *Judicial Repeal of the Notorious Cybor Rule.*

12. *See generally,* David L. Schwartz, *Practice Makes Perfect?: An Empirical Study of Claim Construction Reversal in Patent Cases*, 107 MICH. L. REV. 223, 225 n.3 (2008) (citing Gretchen Ann Bender, *Uncertainty and Unpredictability in Patent Litigation: The Time is Ripe for a Consistent Claim Construction Methodology*, 8 J. INTELL. PROP. L. 175 (2001); Christian A. Chu, *Empirical Analysis of the Federal Circuit's Claim Construction Trends,* 16 BERKELEY TECH. L.J. 1075 (2001); Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 HARV. J.L. & TECH. 1 (2001); Moore, supra note 3, at 239; Michael Saunders, *A Survey of Post-Phillips Claim Construction Cases*, 22 BERKELEY TECH. L.J. 215 (2007); Andrew T. Zidel, *Patent Claim Construction in the Trial Courts: A Study Showing the Need for Clear Guidance From the Federal Circuit*, 33 SETON HALL L. REV. 711 (2003)).

13. *Cybor,* 138 F.3d at 1451.

B. *The Proposed Congressional Solution*

The simplistic solution to *Cybor* is to permit trial courts to permit an interlocutory appeal on claim construction issues at an early date in the life of a patent trial.

The latest version of the legislation vests discretion in the trial judge for an interlocutory claim construction appeal where such an appeal "may materially advance the ultimate termination of the litigation" *or* if such an appeal "will likely control the outcome of the case[.]"[14] The Federal Circuit has only limited discretion to refuse to accept such an interlocutory appeal. If the District Court certification is correct that the appeal "*may* materially advance [ ] ultimate termination" *or* "*likely* control" the outcome, then the Federal Circuit is *without* discretion to deny an interlocutory appeal.[15] The Federal Circuit may deny an interlocutory appeal only where certification is "clearly erroneous."[16] This limited exception would mean that almost no interlocutory appeal could be denied without extensive consideration of the appeal itself.[17]

Congress has now devised this simplistic approach that interlocutory appeals should be more freely permitted *before* trials to permit early Federal Circuit resolution of a critical issue that could be dispositive of a case, facilitating settlement, given what is presumed to be a higher level of patent expertise manifested at the Federal Circuit *vis-a-vis* trial courts.[18]

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14. The current Senate bill provides for an interlocutory appeal "of a final order or decree of a district court determining construction of a patent claim in a civil action for patent infringement under [35 USC § 271] if the district court finds that there is a sufficient evidentiary record and an immediate appeal from the order (A) may materially advance the ultimate termination of the litigation, or (B) will likely control the outcome of the case, unless such certification is clearly erroneous." Leahy, S. 515, as amended on April 2, 2009, by the Senate Judiciary Committee, new 35 USC § 1292(c)(3).

The House patent reform bill, Conyers-Smith, H.R. 1260, in Sec. 10(b) provides that "[a]pplication for an [interlocutory claim construction] appeal... shall be made to the court within 10 days after entry of the order or decree. The district court shall have discretion whether to approve the application and, if so, whether to stay proceedings in the district court during pendency of the appeal."

15. 35 USC § 1292(c)(3).

16. *Id.*

17. To find the certification "clearly erroneous," presumably the Federal Circuit would first have to permit briefing of the appeal before it could reach such a determination.

18. *See* Moore, *supra* note 7 at 247. This may well be true *today,* given that eleven of the twelve Federal Circuit judges as of this writing in early April 2009 have held appointments that began as early as 1984 (Newman, J.) and as late as 2001 (Prost, J.): All have many years of experience in patent cases; none is a beginner. The twelfth member of the court, Judge Moore, had

Yet, as demonstrated by an exhaustive study by Professor Schwartz, the claim-construction regime can never be mastered by trial judges, if measured from the viewpoint of a lowered reversal rate.[19]

Claim construction represents a "moving target" in the sense that, as the record develops at the trial court, new factual evidence may provide insights that will lead to new conclusions, even on appeal.[20] Thus, claim construction could well be different after a trial on a more developed record, leading to a new construction different from the one decided in an interlocutory appeal.[21] In fact, permitting interlocutory claim construction appeals would encourage gamesmanship by a losing side in patent litigation.[22]

III. JUDICIAL RECOGNITION OF THE *CYBOR* CHALLENGE

The *Cybor* problem has festered for more than ten years. In the opinion of critics, the *Cybor* failure to honor the factual

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actual patent experience for more than 15 years prior to joining the bench as a Federal Circuit Technical Advisor, private practitioner and professor of law specializing in patent matters.
But "tomorrow," the appellate landscape may be entirely changed. By the end of 2012, *nine* of the current twelve members of the Court will be senior eligible; the Court in 2012 will comprise Chief Judge Rader and Circuit Judges Prost and Moore – and nine other positions consisting of currently active judges who have elected to forego immediate senior status to remain active, new members of the court and vacancies.

19. Schwartz, *supra* note 12 at 267 ("Many have criticized district court judges for the high claim construction reversal rates in patent cases. This empirical study of the Federal Circuit's review of district court judges indicates that the reversal rate may be essentially constant, regardless of the prior claim construction experience of the district court judge. All judges have access to the universe of reported decisions. If district court judges are supposed to learn from appellate court review of their cases over and above the background learning from the universe of reported cases, one would expect some improvement of the reversal rate as experience increases. Contrary to theory, district court judges do not appear to improve based upon various measures of experience.")

20. William C. Rooklidge & Alyson G. Barker, *2009 Reform of a Fast-Moving Target: The Development of Patent Law since the 2004 National Academies Report* , 91 J. PAT. & TRADEMARK OFF. SOC'Y 153, 188 (2009).

21. *Id.* at 187. ("Without a developed record, the appellate court may have to revisit premature claim construction rulings." The authors footnote *Lava Trading, Inc. v. Sonic Trading Mgmt., LLC,* 445 F.3d 1348, 1355 (Fed. Cir. 2006) (Mayer, J., dissenting) ("We set ourselves up to have to decide claim construction again later, which could well differ from the ruling today.").

22. *Id.* at 186-87 ("If Congress were to authorize additional interlocutory appeal and stay options, the party losing the claim construction ruling would have little incentive to settle after a claim construction ruling. The cost of an appeal would be relatively low, so even parties with weak cases would have an incentive to appeal. *See* Moore, supra note 7, at 241 (noting that "appeals have low transaction costs as compared to trials" and "with de novo review, patentees have little to lose"). This could delay settlement by up to a year in an appreciable number of cases which now settle during the relatively short 12-15 month window. Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 12 FED. CIR. B.J. 1, 29-30 (2002).

component of claim construction is in direct violation of Supreme Court precedent and the Federal Rules of Civil Procedure, a point that has divided the Federal Circuit in recent years.

A. The "Mongrel Practice": Cybor *Violates Rule 52(a)*

The Supreme Court in *Markman* identified claim construction as a "mongrel practice"; a legal practice laced with a factual component.[23] Essentially *every* claim construction ruling includes a factual component that includes *at least* the review of documentary evidence such as the specification or prosecution history or prior art references.

Such a fact-driven determination should be deemed with the ambit of "[f]indings of fact, whether based on oral or documentary evidence, [which] shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses."[24] The Supreme Court has come down squarely in favor of consideration of documentary evidence as within the ambit of fact findings, holding that Rule 52(a) "does not make exceptions or purport to exclude certain categories of factual findings ..."[25]

There should be no room for debate as to whether consideration of documentary evidence qualifies as a sufficient factual component to warrant deferential review. The matter was conclusively decided nearly twenty-five years ago by the Advisory Committee:

> The principal argument advanced in favor of a more searching appellate review of findings by the district court based solely on documentary evidence is that the rationale of Rule 52(a) does not apply when the findings do not rest on the trial court's assessment of credibility of the witnesses but on an evaluation of documentary proof and the drawing of inferences from it, thus eliminating the need for any special deference to the trial court's findings. These considerations are outweighed by *the public interest in the stability and judicial economy that would be promoted by recognizing that the trial court, not the appellate tribunal, should be the finder of the facts. To permit courts of appeals to share more actively in the fact-finding function would tend to undermine the legitimacy of the district courts in the eyes of*

23. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 378 (1996).

24. FED. R. CIV. P. 52.(A).

25. *Rogers v. Herman Lodge*, 458 U.S. 613, 622-623 (1982) (quoting *Pullman-Standard v. Swint*, 456 U.S. 273, 287 (1982)).

litigants, multiply appeals by encouraging appellate retrial of some factual issues, and needlessly reallocate judicial authority [emphasis added].[26]

B. *A Narrow Denial of En Banc Review in* Amgen v. Hoechst

The court came within a whisker of granting *en banc* review of *Cybor* in *Amgen v. Hoechst.*[27]

As explained by the Chief Judge: "Rehearing ... en banc would have enabled us to reconsider *Cybor's* rule of de novo review for claim construction in light of our eight years of experience with its application. I have come to believe that reconsideration is appropriate and revision may be advisable." [28] The Chief Judge has identified four reasons why *Cybor* should be rethought:

> [F]our practical problems have emerged under the *Markman- Cybor* regime: (1) a steadily high reversal rate; (2) a lack of predictability about appellate outcomes, which may confound trial judges and discourage settlements; (3) loss of the comparative advantage often enjoyed by the district judges who heard or read all of the evidence and may have spent more time on the claim constructions than we ever could on appeal; and (4) inundation of our court with the minutia of construing numerous disputed claim terms (in multiple claims and patents) in nearly every patent case.[29]
>
> Our standard of review of no deference to the trial judge's claim constructions, expressed in *Cybor,* rests upon the premise that claim construction is always a purely legal exercise devoid of factual content. We have likened claim construction to statutory construction. I believe that this analogy is open to serious question. In interpreting statutes, a judge, whether trial or appellate, essentially asks himself/herself, "What does the disputed term mean to me, the judge, as an artisan in the law?" With claim construction, on the other hand, the judge is supposed to inquire, essentially, "How would the average artisan in the relevant field of technology understand the disputed claim terms in the

26. *Advisory Committee Notes,* 1985 Amendment to Rule 52(a).

27. *Amgen Inc. v. Hoechst Marion Roussel, Inc.* 469 F.3d 1039 (Fed. Cir. 2006) (order denying suggestion for reh'g en banc).

28. *Amgen,* 469 F.3d at 1040-41 (Michel, C.J., joined by Rader, J., dissenting from the denial of the petition for reh'g en banc).

29. *Id.*

> context of the rest of the patent, the prosecution history, and the prior art?"[30]

Recognition that there *are* factual predicates in a claim construction determination is explained by the Chief Judge:

> [T]he claim construction question often cannot be answered without assessing, at least implicitly, what the average artisan knew and how she thought about the particular technology when the patent claims were written. To make such determinations, the trial judge necessarily relies upon prior art documents and other evidence concerning the skill of the ordinary artisan at the relevant time. Indeed, trial judges are arguably better equipped than appellate judges to make these factual determinations, especially in close cases. In such instances, perhaps we should routinely give at least some deference to the trial court, given its greater knowledge of the facts. Or, perhaps other adjustments to our current practice should be considered.[31]

Circuit Judge Rader also dissented:

> "Like them, I urge this court to accord deference to the factual components of the lower court's claim construction. Under current law, this court accords no deference whatsoever to a district court's claim construction. ... The Supreme Court recognized that, far from a 'purely legal issue, claim construction falls somewhere between a pristine legal standard and a simple historical fact.'[32]

Judge Rader then quotes from *Cybor* which in turn cites from the Supreme Court: "[T]he fact/law distinction at times has turned on a determination that, as a matter of sound administration of justice, one judicial actor is better positioned than another to decide the issue in question."[33]

Another member of the court, Judge Lourie, agreed that the court should not have heard *Amgen* as an *en banc* court, but agreed with Chief Judge Michel's reasoning: "[T]he panel erred in construing the claim limitation .... [T]he panel dissent by Chief Judge Michel was correct.... However, I do not believe that every error by a panel is enbancable [sic]. A panel is entitled to err without the full court descending upon it."[34]

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30. *Id.*

31. *Id.*

32. *Id.* at 1044-1045.

33. *Id.*, quoting *Cybor*, 138 F.3d at 1455.

34. *Amgen*, 469 F.3d at 1043 (Lourie, J., concurring with the denial of the petition for rehearing en banc).

A critical three votes *against* grant of review occurred because three members of the court saw that *in this case* they did not see that the court below had made determinations on conflicting factual evidence.[35] Their opinion stated, "Our concurrence should not be read as an endorsement of the panel's claim construction in this particular case, nor as an unqualified endorsement of the en banc decision in *Cybor Corp. v. FAS Techs., Inc.,* 138 F.3d 1448 (Fed.Cir.1998). In an appropriate case, we would be willing to reconsider limited aspects of the *Cybor* decision. In our view an appropriate case would be the atypical case in which the language of the claims, the written description, and the prosecution history on their face did not resolve the question of claim interpretation, and the district court found it necessary to resolve conflicting expert evidence to interpret particular claim terms in the field of the art. This is not such a case."[36]

The newest member of the court dissented "because [she] believe[d] this court should have taken this case en banc to reconsider its position on deference to district court claim construction articulated in *Cybor Corp. v. FAS Tech., Inc.,* 138 F.3d 1448, 1454-55 (Fed.Cir.1998) (holding that claim construction was purely a matter of law and therefore subject to de novo review). Five judges of this court have written opinions in this case expressing disagreement with the two judge panel majority's claim construction even under the de novo standard of review."[37]

IV. COMMON SENSE LESSONS UNDER THE NFL REPLAY HOOD

If the Federal Circuit required "irrefutable evidence" that the claim construction ruling of the trial court were wrong, then the claim construction appellate dilemma would miraculously disappear. Of course, there is no legal standard of "incontrovertible evidence," but there *is* the Rule 52(a) deference that is violated by *Cybor.*

35. *Amgen,* 469 F.3d at 1045 (Gajarsa, Linn, Dyk, JJ. concurring in the denial of the petition for rehearing en banc).

36. *Id.*

37. *Amgen,* 469 F.3d at 1046 (Moore, J., dissenting from the denial of the petition for rehearing en banc).

It may be time for the Federal Circuit to take a lesson from the National Football League: Imagine the NFL football replay rule *without* its rule that there must be "irrefutable evidence" to overrule a ruling on the field.[38] NFL officials hover right over a play and have unique insights into whether a player did or did not make a catch, was or was not in bounds, and so forth. In very extremely close plays – which happen all the time – it would be easy to second-guess the decision and, like a flip of a coin, reach a contrary decision.

Of course, with the "incontrovertible evidence" rule, the NFL referee looking at close-up, slow motion video the television monitor hood just off the playing field will *not* overrule his fellow officials for an extremely very close play that could go either way. He is constrained by the NFL's equivalent of the "clearly erroneous" standard of review.

Now, segue to the three replay officials on Madison Place who have a responsibility for *de novo* appellate review of claim construction. They have no "incontrovertible evidence" rule under which they must refrain from flipping the coin on close plays. Of course, the term "incontrovertible evidence" is not used – but rather the legal term of a "clearly erroneous" standard.

What makes the Federal Circuit situation far more egregious than the NFL replay hood is that while the umpire on the field has only a split second to view a play and the NFL referee can run the videotape numerous times – and in slow motion – in the case of claim construction the trial judge has infinitely more time and resources to consider a claim construction. Witness testimony may be involved. Hundreds of pages of documents may be in play.

The proof of the pudding that the *de novo* review system is terribly flawed is perhaps best manifested by the numerous 2-1 claim construction decisions at the Federal Circuit. *All* of the Federal Circuit judges have vast years of claim construction experience. That there can be 2-1 splits on claim construction verdicts, which are largely keyed to different interpretations of the same evidence, perhaps best manifests the difficulty with a *de novo* standard of review.

38. *See Owners Set to Approve Replay*, Ernest Hooper, ST. PETERSBURG TIMES, March 29, 2000.

V. JUDICIAL REPEAL OF THE NOTORIOUS *CYBOR* RULE

It is quite clear that if interlocutory claim construction appeals are permitted without sufficient appellate discretion to deny routine use of this tactic, there will be a proliferation of such appeals.

If this occurs, the Federal Circuit will face immense practical pressure to accept the minority view in *Amgen* and overrule its notorious *Cybor* precedent. Only by giving due deference to trial court rulings on claim construction will trial courts be sufficiently reluctant to grant interlocutory appeals on this matter that should, in the first instance, be decided by the trial judge.

If not a consensus, there is nevertheless a broad majority view outside Madison Place that *Cybor* should be overruled. It would make far better sense for Congress to *legislatively* overrule *Cybor* and directly treat the disease rather than to treat a symptom with a doomed remedy which would merely proliferate appeals and delay ultimate outcome of patent trials. A statutory overrule of *Cybor* could simply state:

> "A claim construction determination is based at the evaluation by the trial court of factual evidence including documentary evidence such as a patent specification and prosecution history. Appellate review of any claim construction ruling shall be given deference under Federal Rules of Civil Procedure 52(a)."

The legislative history should reflect that the intention of Congress is to legislatively overrule *Cybor*.

A legislative fix to the heart of the problem of claim construction appellate uncertainties is far better than simply exacerbating the problem through interlocutory appeals that will not provide a satisfactory solution to a very real problem.