Creation of the Right to Interlocutory Appeal of Patent Claim Construction Rulings and Mandatory Stay Pending Appeal

by
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The current Senate and House patent reform bills, S.1145[2] and H.R. 1908[3] contain a provision that would amend 28 U.S.C. §1292 by creating a right to interlocutory appeal of trial court decisions in patent cases "determining construction of claims" and mandating that the action in the trial court be stayed pending appeal.[4] This measure is intended to address the lack of certainty resulting from the high appellate reversal rate of claim construction rulings. These piecemeal appeals and mandatory stays would, however, interrupt and delay patent infringement litigation, delay settlement of patent cases, clog the appellate docket by multiplying and lengthening appeals in patent cases, and encourage abuse of the litigation process, all the while contributing little to the just, speedy and inexpensive determination of patent disputes. Creating a right to interlocutory appeal of district court claim construction rulings and an accompanying mandatory stay of the district court proceedings would not solve the problems that lead to the high reversal rate of those rulings. If Congress is to address the claim construction reversal rate problem, there are alternate approaches that would directly address the reasons for that problem, approaches that would be far less destructive to the patent trial and appellate process.

In Section I, this paper first examines the reasons that have been cited for creating a right to interlocutory appeal of patent claim construction rulings and

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[2] S. 1145, the Patent Reform Act of 2007, 110th Cong., 1st Sess. (introduced April 18, 2007, as amended June 21, 2007 by Manager's Amendment).

[3] H.R. 1908, the Patent Reform Act of 2007, 110th Cong., 1st Sess. (introduced April 18, 2007, as amended June 21, 2007 by Amendment in the Nature of a Substitute). The House and Senate bills are virtually identical.

[4] Both bills would add to 28 U.S.C. §1292(c) a new subsection "(3) of an appeal from an interlocutory order or decree determining construction of claims in a civil action for patent infringement under section 271 of title 35." S. 1145, *supra* note 2, section 10(b); H.R. 1908, *supra* note 3, section 10(b). This provision would not apply to declaratory judgment actions seeking declarations of noninfringement or invalidity because it would not allow an appeal in the absence of a counterclaim for infringement. Letter from Richard A. Hertling, Principal Deputy Assistant Attorney General, Office of Legislative Affairs, U.S. Department of Justice, to Hon. Patrick Leahy and Hon. Arlen Specter, United States Senate 5 (June 20, 2007) (hereafter "Hertling Letter"). Both bills also explain that "proceedings in the district court under such paragraph shall be stayed during pendency of the appeal." S. 1145, *supra* note 2, section 10(b); H.R. 1908, *supra* note 3, section 10(b).

mandatory stay pending appeal. In Section II, this paper then considers the negative effects that creating that right would impose upon the patent litigation system. Finally, in Section III, this paper identifies alternative approaches that would address the real cause of the problem.

I. The Asserted Need for a Right to Interlocutory Appeal of Patent Claim Construction Rulings and Mandatory Stay Pending Appeal is Illusory

The general rule in civil litigation is that an appeal follows a final judgment that resolves all the disputes between the parties, and appellate courts reject attempts to obtain piecemeal review of trial findings that do not represent final dispositions on the merits.[5] The policy underlying this finality rule is that a party should not have the power to interrupt the progress of litigation by piecemeal appeals that would cause delay and waste judicial resources.[6]

The finality rule reduces appellate court dockets and focuses appellate arguments in at least four ways: first, many interlocutory decisions that might have been appealed become moot before entering judgment; second, the trial court may correct an interlocutory ruling before entering judgment; third, consolidating appellate issues in one appeal requires only a single appellate panel to review the case and minimizes appellate attorney time investment; and fourth, combined with rules limiting brief length and oral argument time streamlines the process by requiring parties to confine themselves to their best arguments.[7] "The finality rule also promotes the independence of, and respect for, district court judges."[8] In addition to allowing them to correct errors, the finality rule avoids the perception that the appellate court is constantly second guessing the district court.[9]

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[5] *See generally Del Carmen Montan v. Am. Airlines, Inc.*, 2007 U.S. App. LEXIS 10875, *13 (2d Cir. 2007)(citing *U.S. v. Nixon*, 418 U.S. 683, 690 (1974)), which emphasized the policy against piecemeal reviews, and against obstructing or impeding an ongoing judicial proceeding by interlocutory appeals); see also *Southern Ry. Co. v. Postal Telegraph-Cable Co*., 179 U.S. 641, 643 (1901) ("The case is not to be sent up in fragments by successive writs of error").

[6] *See id*. See also Ajay Singh, *Interlocutory Appeals in Patent Cases Under 28 U.S.C. §1292(C)(2): Are They Still Justified And Are They Implemented Correctly?*, 55 Duke L.J. 179, 182 (2005).

[7] Singh, *supra* note 6, at 182-83.

[8] *Id.* at 183, *citing Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368, 374 (1981).

[9] Singh, *supra* note 6*, citing* Michael D. Green, *From Here to Attorney's Fees: Certainty, Efficiency, and Fairness in the Journey to the Appellate Courts,* 69 Cornell L. Rev. 207, 214-15 (1984).

In addition to preliminary injunction orders,[10] there are two ways in which patent litigants can obtain review of claim construction rulings early on in litigation. The most common basis for appealing a claim construction ruling is from the grant of summary judgment.[11] Once the district court grants summary judgment, the appeal is a matter of right, and the appellate court has no discretion whether to accept the appeal. In other words, where the district court determines that claim construction controls the outcome, the dissatisfied party has a right to interlocutory appeal. This appellate route, however, is not easy to obtain. Appeal of the grant of summary judgment requires, of course, that the trial court grant summary judgment, as denials of summary judgment are not appealable. To obtain the grant of summary judgment, a party must show that there are no genuine issues of material fact and that it is entitled to judgment as a matter of law. Moreover, there is no right to summary judgment, and the rate at which courts grant summary judgment varies dramatically from district court to district court, with patent hotspots like the Eastern District of Texas and the District of Delaware having reputations for rarely granting summary judgment. In addition to the difficulty of obtaining summary judgment, only grants of summary judgment on certain topics, such as invalidity and noninfringement, lead to a right to immediate appeal. Grant of summary judgment of infringement or validity will almost always require further proceedings before the entry of final judgment, often for other defenses that assume a more prominent role upon rejection of the invalidity and noninfringement defenses. Nonetheless, a substantial number of patent cases are resolved by summary judgment.[12]

The second route for appeal of claim construction rulings is authorized by 28 U.S.C. 1292(b), which allows appeals in cases where the district court determines that the order "involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation."[13] This route of appeal is not a matter of right, as the district court must certify the

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[10] See 28 U.S.C. §1292 (a)(1).

[11] Letter from Hon. Paul R. Michel, Chief Judge of the United States Court of Appeals for the Federal Circuit, to Hon. Patrick Leahy and Hon. Arlen Specter, United States Senate 1 (June 13, 2007) (hereafter "June 13 Michel Letter").

[12] Jay P. Kesan & Gwendolyn G. Ball, *How are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, 84 WASH. U. L. REV. 237, 311 (2006) (6% to 9% of patent cases are resolved on the merits through summary judgment).

[13] Section 1292(b) provides for interlocutory appeal "When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order."

case for appeal, and the appellate court must accept the appeal.[14] As the Federal Circuit's Chief Judge Paul R. Michel explained in his letter to Senators Leahy and Specter, "[t]he critical difference between that provision and the new section the bill would add to 1292 is that under current law, the courts decide, not the parties."[15] "We recently accepted one such appeal," Chief Judge Michel noted, but "Such requests have been rare in recent years."[16] The reason appeals under section 1292(b) have been rare in recent years, however, is that the bar understands that the Federal Circuit has rarely accepted them.[17]

A. Creating a right to interlocutory appeal and mandatory stay would not necessarily establish predictability earlier in the process.

In introducing the Patent Reform Act of 2007, Senators Patrick Leahy and Orrin Hatch, and Representatives Howard Berman and Lamar Smith addressed subsection 10(b) by explaining that it "makes patent reform litigation more efficient by providing the Federal Circuit jurisdiction over interlocutory orders in what have become known as *Markman* orders, in which the district court construes claims of a patent."[18] They recognized that "the contours of the claim

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[14] Section 1292(b) also provides that "The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within ten days after the entry of the order."

[15] June 13 Michel Letter, *supra* note 11, at 1. There is another difference between section 1292(b) and the provision of the new bills: under 1292(b) the district court proceedings are not automatically stayed. Section 1292(b) provides "That application for an appeal hereunder shall not stay proceedings in the district court unless the district judge or the Court of Appeals or a judge thereof shall so order." This difference may not count for much in the real world, as most district courts would likely stay a case in which a claim construction ruling had been appealed.

[16] June 13 Michel Letter, *supra* note 11, at 1.

[17] *See Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1479 (Fed. Cir. 1998) (en banc) (Newman, J., dissenting) (noting that the Federal Circuit has rejected all certified appeals of claim constructions); Patent Litigation Committee of the American Intellectual Property Law Association, *The Interpretation of Patent Claims*, 32 AIPLA Q.J., 1, 74 (2004) (same); *A Review of Recent Decisions of the United States Court of Appeals for the Federal Circuit: Area Summary: Survey of the Federal Circuit's Patent Law Decisions in 2006: A New Chapter in the Ongoing Dialogue With the Supreme Court*, 56 Am. U.L. Rev. 793, 839 (April 2007) ("To our knowledge, through the end of 2006, the Federal Circuit had never granted an interlocutory appeal under 28 U.S.C. § 1292(c)(1) on a question of claim construction, even after the Markman decision established that patent claim construction is a question of law, ordinarily decided on a limited, intrinsic record. Just before this Article went to press, the Federal Circuit did just that, but in a case having an "unusual" procedural posture - the same patent claims were before the Federal Circuit in a parallel appeal.").

[18] Patrick Leahy, *Leahy-Hatch/Berman-Smith, The Patent Reform Act Of 2007, Section-By-Section* (April 18, 2007), *available at* http://leahy.senate.gov/press/200704/041807a.html. Claim construction orders and hearings are identified by the adjective *Markman* because the Supreme Court held that patent claim construction is an issue for the judge, not the jury, in *Markman v. Westview Instr., Inc.*, 517 U.S. 370, 391 (1996).

are crucial to resolution of the patent litigation," and expressed the belief that "authorizing interlocutory appeals will add predictability at an earlier stage of litigation."[19] Therefore, the reason cited for creating a right to interlocutory appeal and mandatory stay is establishing predictability earlier in the process.

There is no basis, however, to assume that creation of a right to interlocutory appeal of claim construction rulings and mandatory stay would establish predictability earlier in the process. Creating the right to interlocutory appeal and mandatory stay would encourage district courts to resolve claim construction issues early in the process, separate from issues of infringement and validity. Those constructions, performed in an evidentiary and contextual vacuum, would be subject to change as the case proceeded, often being revisited several times.

The claim construction process is not always a single episode in patent cases. In many cases district courts have had to revisit claim construction decisions,[20] and in some cases the district court repeatedly has returned to claim construction issues, after the initial claim construction order, and after the summary judgment order.[21] Claim construction issues may lay dormant until other issues are resolved, and may not surface until trial.[22] The Federal Circuit

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[19] *Id*.

[20] *See, e.g., Cardiac Pacemakers, Inc. v. St. Jude Med., Inc*., 296 F.3d 1106, 1112 (Fed. Cir. 2002) (after holding second claim construction hearing, district court issued "Supplemental Entry on Claim Construction Issues"); *Wechsler v. Macke Int'l Trade*, 56 Fed. Appx. 935, 938 (Fed. Cir. 2003) (overruled on other grounds, nonprecedential) (noting that district court issued two claim construction orders, the second construing additional portions of the claims); *Baldwin Graphic Systems, Inc. v. Siebert, Inc*., 2007 WL 1610449 *9 (N.D.Ill.) (revisiting claim construction during on summary judgment); *Centillion Data Sys., LLC v. Convergys Corp.*, No. 1:04-cv-0073-LJM-WTL (June 12, 2007) ("Order Regarding Additional Claim Construction"); *PHT Corp. v. Invivodata, Inc*., Nos. 04-60, 61 (March 9, 2006) ("Supplemental Order" construing additional term 10 months after claim construction ruling); *Competitive Techs., Inc. v. Fujitsu Ltd.*, 333 F. Supp. 2d 858, 869 (D. Cal. 2004) (on summary judgment, court construed terms not construed in claim construction order); *AstraZeneca AB v. Mut. Pharm. Co.*, 278 F. Supp. 2d 491, 496 (D. Pa. 2003) (same).

[21] *See, e.g., Verizon California Inc. v. Ronald A. Katz Technology Licensing LLP*, No. 01-CV-09871 RGK (RCx), U.S. District Court LEXIS 23553 (December 2, 2003) (Order on summary judgment clarifying construction from *Markman* order of term "format"); (March 4, 2004) (Order after summary judgment revisiting construction of term "format" and construing for the first time the term "imposed condition with respect to time").

[22] *See, e.g., NCube Corp. v. Seachange Int'l, Inc.*, 313 F. Supp.2d 361, (D. Del. 2004) (noting that district court issued claim construction ruling during trial); *Princeton Biochemicals, Inc. v. Beckman Coulter, Inc.*, 2004 WL 1398227 *75 (D.N.J.) (same); *Kim v. Conagra Foods, Inc*., 2003 WL 22669035 *8 (N.D. Ill.) (deferring claim construction issues until completion of the presentation of the evidence at trial).

has expressly approved of trial courts revisiting their claim construction rulings.[23] Indeed, the Federal Circuit itself has changed its own earlier claim construction.[24]

Interrupting a case for two or three claim construction appeals could lengthen the process to over a decade, and interrupting a trial for a claim construction appeal could not be defended under any circumstances. Appellate review would not make claim construction decisions any more final, and they would always be subject to modification or clarification before entry of final judgment.[25] Even after entry of final judgment, a claim construction blessed by the Federal Circuit may turn out to have been wrong. For example, in *CVI/Beta Ventures, Inc. v. Tura Lp*,[26] the Federal Circuit reversed its own earlier claim construction.

In many cases, claim construction rulings are followed quickly by motions for summary judgment of noninfringement, invalidity or both. The grant of such a motion would most likely occur well before an appeal from the underlying claim construction ruling could be heard, and in those circumstances an interlocutory appeal would just delay the final outcome. So, interlocutory appeal may not provide certainty, and may in fact delay reaching certainty in many cases. Without an empirical basis, the assertion that creating a right to interlocutory appeal and mandatory stay would reach certainty earlier in the process is just that, an assertion.

B. Creating a right to interlocutory appeal and mandatory stay would not address the high claim construction reversal rate.

A more complete list of the reasons for creating a right to interlocutory appeal of claim construction rulings and mandatory stay of proceedings pending appeal was identified in an article last year in The National Law Journal.[27] That article argues seven reasons that creation of a right to interlocutory appeal and mandatory stay would improve and streamline the patent litigation process.

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[23] *AFG Indus., Inc. v. Cardinal IG Co.*, 373 F.3d 1367, 1372 n.2 (Fed. Cir. 2004) ("This court does not suggest that a district court should in all circumstances avoid refining an ambiguous claim construction."); *Utah Med. Prods., Inc. v. Graphic Controls Corp.*, 350 F.3d 1376, 1381-83 (Fed. Cir. 2003 (affirming district court's amended claim construction).

[24] *CVI/Beta Ventures, Inc. v. Tura Lp*, 112 F.3d 1146 (Fed. Cir. 1997) (Federal Circuit reversing its own earlier claim construction).

[25] *See* Singh, *supra* note 6, at 197-98.

[26] 112 F.3d 1146 (Fed. Cir. 1997).

[27] Andrew Cadel, Steven Schreiner & Ozzie Phares, *Interlocutory appeal is proposed: Claim-construction rulings would be immediately appealable*, National Law Journal (December 4, 2006).

The first reason is based on the fact that the reversal rate of claim construction rulings has been estimated to be unusually high, between 35-40%.[28] Proponents of creation of a right to interlocutory appeal and mandatory stay believe that their proposal would address the high claim construction reversal rate by reaching the appellate determination earlier in the process.[29] As explained in the previous section, any certainty achieved by such an interlocutory appellate determination may well be illusory, and the interlocutory appeal may well delay reaching final judgment in the district court. More importantly, however, creation of a right to interlocutory appeal and mandatory stay would not address the high reversal rate, but would instead merely accept it as inevitable.

The relatively high reversal rate has been suggested to stem from various reasons. Some have suggested that the high reversal rate results from the Federal Circuit's insufficient guidance on claim construction.[30] As then-Professor Moore stated:[31]

> With judicial claim construction now nearing its adolescence (eight years from the Supreme Court's Markman and ten years from the Federal Circuit's Markman) there should be more predictability. The reversal rate ought to be going down, not up. The fault, at this point, undoubtedly lies with the Federal Circuit itself. The court is not providing sufficient guidance on claim construction. There have not evolved any clear canons of claim construction to aid district court judges, and in fact the Federal

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[28] Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 Lewis & Clark L. Rev. 231, 232 (2005) (34.5% during 1996-2003); *Cybor Corp. v. FAS Technologies, Inc*., 138 F.3d 1448, 1476 n.4 (Fed. Cir. 1998) (Rader, J., dissenting) (38.3% during 1995-1997). *See also*, Singh, supra note 6, at 179 n.3-4 (collecting authorities asserting reversal rates of 33%-71%).

[29] Cadel, Schreiner & Phares, *supra* note 27; *Patent Trolls: Fact or Fiction?*: *Oversight Hearing Before the House Subcommittee on Courts, the Internet, and Intellectual Property*, 109th Cong. 8 (June 15, 2006) (statement of Chuck Fish, Vice President & Chief Patent Counsel of Time Warner) (urging adoption of interlocutory appeal of claim construction rulings "because they are so reversed so frequently and require retrial of cases") (hereafter "Fish Statement"). One proponent even went so far as to suggest that "The quality of Markman decisions in district courts can be improved by allowing interlocutory appeal of Markman decisions." *Perspectives on Patents: Post Grant Review Procedures and Other Litigation Reforms: Hearing Before the S. Comm. On the Judiciary, 109th Cong.* 4-5 (2006) (statement of Andrew Cadel, Managing Director, Associate General Counsel, and Chief Intellectual Property Counsel, JP Morgan Chase). He did not, however, identify how interlocutory appeal could improve the quality of the appealed ruling itself.

[30] Moore, *supra* note 28, at 247; David Sanker, *Phillips v. AWH Corp.: No Miracles in Claim Construction*, 21 Berkeley Tech. L.J. 101, 118 (200?).

[31] Moore, *supra* note 28, at 247; see *also* 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, 751-54 (2003).

Circuit judges seem to disagree among themselves regarding the tools available for claim construction.

Now that she has taken a seat on the Federal Circuit, Judge Moore will have to join her colleagues in providing this guidance. Congress can do nothing to provide district judges with additional guidance on claim construction. But that does not mean that Congress can do nothing to address the root problems that cause the high claim construction reversal rate.

Some have attributed the relatively high claim construction reversal rate to the district court judges lacking both technical training[32] and frequent exposure to patent cases in general and patent claim construction issues in particular.[33] The district court judges' lack of technical training has been rejected rather convincingly on the grounds that relatively few Federal Circuit judges have technical training, that their areas of technical training are relatively narrow, and that they do not reverse claim construction rulings any more often than their non-technically trained colleagues.[34] What has not been addressed is that Federal Circuit judges have three law clerks, most of whom are technically trained, and that these law clerks help wade through the oft-voluminous technical background and testimony involved in patent claim construction.[35] The proposed creation of a right to appeal and mandatory stay would do nothing to provide district judges with additional resources such as technically trained law clerks.

The district court judges' relative paucity of experience with patent claim construction has also been challenged as a reason for the high claim construction reversal rate, on the ground that claim construction is fact-specific and that construing one claim is unlikely to generate experience useful in construing a different claim in a different

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[32] The Federal Circuit's Judge Alan Lourie explained the basis for this assertion as follows: "Another factor in reversals may be that at least a fourth of us have scientific or technical backgrounds, which aids us in understanding the patent." *Judge Alan D. Lourie's June 12, 2000, Speech to PTC Section of D.C. Bar*, 60 Pat., Trademark & Copyright J. 147, 148 (2000) (hereafter "Lourie"). Judge Lourie's explanation was echoed by district judge William Ingram, who said "I think it's naïve to believe that judges, who have spent most of their time doing something other than engineering, are ever going to be able to understand [claim construction]." Jason Scully, *Markman & Hilton Davis, The Federal Circuit Strikes an Awkward Balance: The Roles of Judge and Jury in Patent Infringement Suits*, 18 Hastings Comm. & Ent. L.J. 631, 647 (1996).

[33] *See* Moore, *supra* note 28, at 246. The Federal Circuit's Judge Alan Lourie explained the basis for this assertion as follows: "Another factor in reversals is that we hear all the patent appeals, perhaps 60 or 70 per judge per year. Many trial judges see just a few a year." Lourie, *supra* note 32, at 148.

[34] Moore, *supra* note 28, at 245-46; Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 12 Fed. Cir. B.J. 1, 14-15 (2002).

[35] Lourie, *supra* note 32, at 148. Judge Lourie explained that "[p]erhaps 80 to 90% of our law clerks have technical backgrounds to help us understand the patents, a benefit trial judges rarely have."

technological area.[36] Nonetheless, it cannot be denied that district court judges, as a group, have less experience construing claims than Federal Circuit judges, and that many district court judges have so little familiarity with the law and process of claim construction, or have suffered at the hands of the Federal Circuit, that they would prefer not to have to construe patent claims.[37] A background in patent law and the construction of patent claims is hardly a requirement for appointment to the federal district court bench, and the high claim construction reversal rate has soured more than one district judge on the process. A lack of training and experience in patent law and the arcane rules and procedure of claim construction, and an aversion to the subject matter, may lead to errors that increase the reversal rate. The proposed creation of a right to interlocutory appeal and mandatory stay would do nothing to help resolve this problem: it would not provide district judges more training, and it would not allow district judges with an aversion to patent cases to opt out of hearing such cases.

Another reason posited for the high claim construction reversal rate is the Federal Circuit's treatment of district court claim construction decisions. The Federal Circuit, which reviews most of the patent cases from the district courts, reviews questions of law under the "de novo" standard of review and questions of fact under the more-deferential "clearly erroneous" standard.[38] The Federal Circuit treats claim construction as a pure question of law, and does not treat subsidiary determinations as findings of fact.[39] Accordingly, it does not formally defer to district court claim construction rulings.[40] Creation of a right to appeal claim construction rulings and mandatory stay would do nothing to increase the Federal Circuit's level of deference to district court claim construction rulings. Indeed, it would do nothing at all to address any of the problems that result in the high claim construction reversal rate.

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[36] *Id.* at 246.

[37] An increasing number of district court judges are delegating claim construction to, or obtaining assistance on claim construction from, special masters, "technical consultants," or "patent law clerks" paid by the parties. *See generally* Gregory J. Wallace, *Toward Certainty and Uniformity in Patent Infringement Cases After Festo and Markman: A Proposal for a Specialized Patent Trial Court with a Rule of Greater Deference*, 77 S. Cal. L. Rev. 1383, 1404-1406 (2004) ("The use of special masters in patent infringement trials to decide issues such as claim construction has become an accepted practice"); Peter J. Chassman, *When Markman hearings need special masters*, Nat'l. L. J. C8 (October 22, 2001).

[38] *See In re Asahi/Am., Inc.*, 68 F.3d 442-444-45 (Fed. Cir. 1995).

[39] *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448, 1455 (Fed. Cir. 1998) (en banc). The court does, however, engage in a certain amount of informal deference. *Nazomi Communications, Inc. v. ARM Holdings, PLC*, 403 F.3d 1364, 1371 (Fed. Cir. 2005) ("In reviewing a district court's claim construction, this court takes into account the views of the trial judge . . . . Though we review those views . . . "de novo," common sense dictates that the trial judge's view will carry weight.").

[40] *Id.*

C. Creating a right to interlocutory appeal and mandatory stay would not provide beneficial uniformity among district courts.

Proponents foresee that creating a right to interlocutory appeal and mandatory stay would provide incentive for district courts to schedule claim construction hearings early, a likely outcome, and that early claim construction hearings would become the norm, which would reduce forum shopping and enhance certainty.[41] The premise for this argument, however, is wrong. It is not necessarily bad that "District courts vary in how they conduct claim construction hearings—some do so early in litigation, while others wait until the eve of trial."[42] Most district judges show flexibility on the timing and procedure of claim construction hearings, and consult with the parties at the initial scheduling conference about that timing and procedure in view of the nature of the particular case. This flexibility is an essential part of district courts' docket management role, and with the help of the parties often leads to a streamlined procedure customized to the particular parties, patents, technology and other circumstances. To take that flexibility away from district courts in the name of uniformity would make little sense.

D. Creating a right to interlocutory appeal and mandatory stay would not encourage earlier settlement.

Proponents envision that the Federal Circuit's early determination of claim scope will encourage earlier settlement. "Once the Federal Circuit reviews a district court's claim construction order," they argue, "litigants will have a far more accurate view of the merits of their respective positions.[43] In reality, adding an interlocutory appeal will encourage settlement only after a formal appeal, which is much later than when most settlement discussions usually begin today.

As is true of all other cases, the vast majority of patent cases are resolved before trial,[44] and the vast majority of patent cases settle.[45] How early those cases settle dictates how many patent infringement cases will be pending in the district courts at any given time. The longer it takes for cases to settle, the more

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[41] Cadel, Schreiner & Phares, *supra* note 27.

[42] *Id.*

[43] *Id.*

[44] Kesan & Ball, *supra* note 12, at 311 (about 5% of patent cases go to trial). Kesan & Ball explain that their evidence shows that "patent litigation is largely a settlement mechanism, and hence, any proposed change in the patent laws should be analyzed in terms of incentives generated for prompt settlement of patent disputes." *Id.* See also Kimberley A. Moore, *Judges, Juries, and Patent Cases – An Empirical Peek Inside the Black Box*, 99 Mich. L. Rev. 365, 384 n.79 (2000).

[45] Kesan & Ball, *supra* note 12, at 272, 280 (70% of patent cases settle).

of them will be pending. Accordingly, the district courts' patent dockets would be reduced were patent cases to settle earlier.

The literature is replete with complaints about the high cost of patent litigation.[46] The cost depends in large part on how long the litigation lasts.[47] While the length of patent litigation may well stem from its complexity, the cost could certainly be reduced by resolving the cases earlier. Plain and simple: earlier settlements reduce costs to litigants and reduce district court dockets.

Most patent cases are resolved early on, within 12 to 15 months of the filing of the complaint.[48] Perhaps the most important window of settlement opportunity opens after the district court issues its initial claim construction ruling. That ruling often brings the parties together considerably in their view of the merits of the case, which facilitates settlement.[49] If Congress were to create a right to interlocutory appeal and mandatory stay, however, the party losing the claim construction ruling would have little incentive to settle at that point.[50] The cost of an appeal would be relatively low,[51] and the costs of trial court litigation would be suspended during the appeal. Losing parties would have incentive to appeal even weak cases.[52] At bottom, creation of the right to interlocutory appeal and mandatory stay would delay opening of the first window of settlement opportunity until after the first claim construction appeal is decided by the appellate court. That 12- to 15-month period would likely stretch to at least 24 to

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[46] *See, e.g.*, Fish Statement, *supra* note 29 at 2, (citing American Intellectual Property Law Association, REPORT OF ECONOMIC SURVEY I-110 (2005); Hon. Kathleen M. O'Malley, Hon. Patti Saris & Hon. Ronald H. Whyte, *The Law, Technology And The Arts Symposium: The Past, Present And Future Of The Federal Circuit: A Panel Discussion: Claim Construction From The Perspective Of The District Judge*, 54 Case W. Res. 671, 681 (2004); William C. Rooklidge & Matthew F. Weil, *Judicial Hyperactivity: The Federal Circuit's Discomfort with its Appellate Role*, 15 Berkeley Tech. L.J. 725, 752, fn. 135 (2000) ("The need for 'a tolerable degree of confidence and certainty,' particularly in view of the perpetually high cost of patent litigation has long been recognized," citing H. & C. Howson, AMERICAN PATENT SYSTEM 43 (1872)).

[47] Kesan & Ball, *supra* note 12, at 311 go further in noting that the costs in litigating the case depend not only the duration of the litigation, but in the amount of activity, using the number of documents filed by the parties as a proxy for measuring costs.

[48] Kesan & Ball, *supra* note 12, at 311.

[49] Kesan & Ball, *supra* note 12, at 262. Kesan & Ball explain that introduction of the patent claim construction process changed the way the parties in a case evaluate the probability of winning at trial and, consequently, the incentives to settle.

[50] Moore, *supra* note 28, at 241 ("With the de novo review, patentees have little to lose."); Singh, *supra* note 6, at 188.

[51] *Id*. ("appeals have low transaction costs as compared to trials."); Singh, *supra* note 6, at 188.

[52] Moore, *supra* note 28, at 241.

30 months. Creation of a right to interlocutory appeal and mandatory stay would, therefore, delay an appreciable number of settlements in patent cases.[53] The suggestion that creation of a right to interlocutory appeal and mandatory stay would encourage earlier settlement is not supported by empirical evidence, and seems to be flatly inconsistent with the reasons for the current patent case settlement dynamic.

E. Creating a right to interlocutory appeal and mandatory stay would not eliminate "unfairness."

Proponents argue that creating a right to interlocutory appeal and mandatory stay would eliminate the unfairness of making a party wait until the end of the suit before an erroneous ruling could be corrected.[54] Focusing on the "unfairness" only in one circumstance—where the claim construction is dispositive and the ruling is incorrect—overlooks that in all other circumstances (apparently the majority) delaying appeal until final judgment is not unfair in any sense. The benefits of creating a right to interlocutory appeal and mandatory stay cannot be evaluated based solely on one circumstance, but have to be assessed in view of all circumstances, and have to be weighed against the detriments. Obviously, a patentee forced to endure repeated interlocutory appeals of correct claim construction rulings, and the years of delay from the mandatory stays, would find the process less than fair.

F. Creating a right to interlocutory appeal and mandatory stay would not facilitate summary judgment.

Proponents also argue that creation of a right to interlocutory appeal and mandatory stay would facilitate summary judgments that dispose of cases on either noninfringement or invalidity grounds. Once again, this analysis looks at only one side of the equation. These proponents do not consider that where the claim construction is correct the appeal would at least waste the parties' time and resources. In cases where the correct construction would support summary judgment, the appeal would delay the grant of summary judgment considerably. Without an empirical basis, the suggestion that creation of a right to interlocutory appeal and mandatory stay would facilitate case-dispositive summary judgments cannot support the proposal.

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[53] *See* Moore, *supra* note 34, at 29-30.

[54] Cadel, Schreiner & Phares, *supra* note 27. A variation of this "unfairness" argument is that "interlocutory appeal removes the undue advantage that a party who benefits from the erroneous claim construction has, not only on the opposing party, but to others in the industry that fear they will be subject to the same faulty interpretation. Cadel Statement, *supra* note 29, at 5.

G. Creating a right to interlocutory appeal and mandatory stay would not serve a public notice function.

According to proponents, creating a right to interlocutory appeal and mandatory stay would serve a public notice function by clearly establishing the patent's scope early on.[55] Of course, district court claim construction rulings, by themselves, serve a public notice function. Proponents argue that "The Federal Circuit's determination will instill greater public confidence in the legitimacy and scope of the patent."[56] The extent of confidence in the claim construction depends, however, on the stage in the litigation in which the ruling occurred, for example, whether the ruling resulted from a claim construction hearing divorced from issues of infringement or validity. And while the Federal Circuit's imprimatur may well increase public confidence in a claim construction ruling, testing that construction in the context of the prior art or the accused product or process through a summary judgment motion or trial would do far more. Increasing public confidence in a claim construction ruling subject to being revisited by the district court may not be the most laudable goal, and certainly would not outweigh the other problems created by a right to interlocutory appeal and mandatory stay.

H. Creating a right to interlocutory appeal and mandatory stay would not reduce nuisance lawsuits.

Proponents argue that creating a right to interlocutory appeal and mandatory stay would "reduce nuisance-type patent suits, as patent holders hesitate to bring suit knowing that the scope of the patent will be subject to immediate appellate review."[57] There are plenty of ways to deal with "meritless" or "nuisance-type suits" provided by the courts' inherent power, Rule 11 and Title 28.[58] Anyway, the suggestion that creating a right of interlocutory appeal and mandatory stay would reduce such lawsuits, or that patentees not dissuaded by the threat of sanctions would nonetheless hesitate to bring a meritless lawsuit, not to put too fine a point on the matter, finds no empirical support.

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[55] Cadel, Schreiner & Phares, *supra* note 27.

[56] *Id.*

[57] *Id.*

[58] *See* Fed. R. Civ. P. 11; 28 U.S.C. §1927; *see also* Robert L. Harmon, PATENTS AND THE FEDERAL CIRCUIT § 11.4(a) at 701-709 (8th ed. 2007).

II. Creating A Right to Interlocutory Appeal of Claim Construction Rulings And Mandatory Stay Pending Appeal Would Not Lead to The Just, Speedy And Inexpensive Determination of Patent Lawsuits.

Proponents of creating a right to interlocutory appeal of claim construction rulings and mandatory stay pending appeal argue that the unavailability of an interlocutory appeal after *Markman* rulings is partially to blame for both the increase in litigation and litigation cost. [59] Between 1991 and 2001, they point out, the number of patent cases doubled, and between 2001 and 2004, the number of patent cases rose again by 22%, while the average cost of patent litigation reported in 2005 was $4.5 million dollars through trial.[60] There is no basis for tying the increase in patent cases and litigation costs to lack of interlocutory appeal of claim construction rulings. Indeed, allowing an interlocutory appeal with mandatory stay would not shorten patent lawsuits or make them any less expensive. In fact, the opposite is likely true.

A. Piecemeal interlocutory appeals and mandatory stays would interrupt patent infringement litigation.

Interlocutory appeal of claim construction "portends chaos in process,"[61] and when combined with mandatory stay would burden litigants and courts alike with delay and increased cost. Proponents argue that "the nine to 12 months for an interlocutory appeal will be substantially offset by a reduction in the average total duration of patent suits due to earlier termination from settlement or summary judgment after Federal Circuit review."[62] Accordingly, proponents of the bill argue that creating a right to interlocutory appeal and mandatory stay would streamline patent cases and make them less costly.[63] The premises of this argument, however, do not withstand scrutiny.

These proponents of creation of a right to interlocutory appeal and mandatory stay fail to acknowledge a fundamental problem: that an interlocutory review of claim construction rulings, which typically would occur fairly early in the litigation, would be conducted on a relatively undeveloped record. The

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[59] Fish Statement, *supra* note 29.

[60] *Id*.

[61] *Lava Trading, Inc. v. Sonic Trading Mgmt., LLC*, 445 F.3d 1348, 1355 (Fed. Cir. 2006) (Mayer, J, dissenting) (decrying deciding claim construction issues on an undeveloped record).

[62] Cadel, Schreiner & Phares, *supra* note 27.

[63] *See, e.g.*, Patent Reform: The Future of American Innovation: Hearing Before the S. Comm. on the Judiciary, 110th Cong. (2007) (statement of Mary E. Doyle, Senior Vice President and Gen. Counsel Palm, Inc.).

Federal Circuit would have to make claim construction rulings without knowledge of the accused products and devices and separated from the arguments about infringement and invalidity.[64] Appellate judges find it "highly undesirable" to consider claim construction issues in the abstract.[65] Without a developed record, the appellate court may have to revisit premature claim construction rulings.[66] As Judge Mayer has complained, "[we] set ourselves up to have to decide claim construction again later, which could well differ from the ruling today."[67]

As the district court revisits the claim construction during summary judgment and trial, the claim construction may well turn out to require modification or amplification.[68] "District courts may engage in a rolling claim construction, in which the court revisits and alters its interpretation of the claim terms as its understanding of the technology evolves. This is particularly true where issues involved are complex, either due to the nature of the technology or because the meaning of the claims is unclear from the intrinsic evidence."[69] Thus, it is quite possible, if not likely, that multiple interlocutory claim construction appeals will be taken in patent cases, even further delaying patent litigation. Thus, the premise of the proponent's efficiency argument presuming only a single claim construction appeal ignores that in many cases termination from settlement or summary judgment would be delayed, and finds no empirical support.

B. Piecemeal interlocutory claim construction appeals would swamp the Federal Circuit.

Creation of a right to interlocutory appeal and mandatory stay would not only lengthen cases because of the stay, but would lengthen the appeal process itself, causing a cascading effect that would compound the delay of the ultimate

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[64] *Mass. Inst. of Tech. v. Abacus Software*, 462 F.3d 1344, 1350-51 (Fed. Cir. 2006) (decrying reviewing claim construction issues based on an undeveloped record).

[65] *Id.* at 1351.

[66] *Lava Trading*, 445 F.3d at 1355 (Mayer, J, dissenting).

[67] *Id.*

[68] *See, e.g., Sofamor Danek Group, Inc. v. DePuy-Motech, Inc.*, 74 F.3d 1216, 1221 (Fed. Cir. 1996) (noting that the trial court has no obligation to interpret claims conclusively and finally during a preliminary injunction hearing, and "may exercise its discretion to interpret the claims at a time when the parties have presented a full picture of the claimed invention and prior art."); *see also A Section White Paper: Agenda for 21st Century Patent Reform* (ABA Section of Intellectual Property Law, revised May 1, 2007) at 47-48, *available at* http://www.abanet.org/intelprop/home/PatentReformWP.pdf (hereafter "ABA Section White Paper").

[69] *Jack Guttman, Inc. v. Kopykake Enters., Inc.*, 302 F.3d 1352, 1361 (Fed. Cir. 2002) (citation omitted).

resolution of most patent cases.[70] Permitting parties to appeal all interlocutory claim construction rulings would result in a great increase in the number of appeals filed, necessarily increasing the time to dispose of all appeals.[71]

Proponents of the creation of interlocutory appeal and mandatory stay argue, however, that interlocutory appeals would increase the Federal Circuit's workload by only 13%, resulting in three additional cases per panel per month.[72] They argue that other circuits have double or triple the caseload; thus, they urge, adding three cases per panel per month in the Federal Circuit would not amount to a serious burden.[73] Chief Judge Michel has pointed out that the number of patent infringement appeals could double under the bill as currently drafted.[74] If the number of appeals doubles, he reasons, the length of time it takes to decide those cases could also increase, and possibly double.[75] The Federal Circuit takes approximately ten to thirteen months after a case is filed before a judgment is issued.[76] If that were to double, the Federal Circuit time to disposition would extend past a year and approach two years.

Even if the proponents were correct about their estimate of the increase in caseload, they fail to consider the complexity of the patent claim construction issues. As Chief Judge Michel has commented: "[t]he complexity of the cases on

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[70] ABA Section White Paper, *supra* note 68, at 62-64; *Interlocutory Appeals*, THE COALITION FOR 21ST CENTURY PATENT REFORM (Apr. 23, 2007).

[71] ABA Section White Paper, supra note 68, at 66-67.

[72] Slide presentation by J. Alan Keller, Federal Government Relations, JPMorgan Chase & Co. (on file with author).

[73] *Id*. Then-professor Moore pointed out the fallacy in judging caseload merely by numbers: "My own experience with the Federal Circuit, having clerked for two years for the Honorable Glenn L. Archer, is that the judges of the Court are extremely hard-working and the complexity of the patent cases that are appealed makes quantifying the Court's workload based on number of cases an inappropriate measure of workload." Moore, *supra* note 34, at 31.

[74] June 13 Michel Letter, *supra* note 11, at 2; Letter from Hon. Paul R. Michel, Chief Judge of the United States Court of Appeals for the Federal Circuit, to Hon. Patrick Leahy and Hon. Arlen Specter, United States Senate 1 (May 3, 2007) (hereafter "May 3 Michel Letter"); Letter from Hon. Paul R. Michel, Chief Judge of the United States Court of Appeals for the Federal Circuit, to Hon. Patrick Leahy and Hon. Arlen Specter, United States Senate 1 (March 8, 2007) (hereafter "March 8 Michel Letter"). Then-professor Moore predicted a more modest 42.5% increase. Moore, *supra* note 31, at 30.

[75] June 13 Michel Letter, *supra* note 11, at 2.

[76] *Patent Reform: The Future of American Innovation: Hearing Before the S. Comm. on the Judiciary, 110th Cong.* (2007) (statement of John Squires, Chairman, Securities Industry and Financial Markets Association Intellectual Property Subcommittee).

average is a great deal higher than it was when I joined the court . . . in 1998."[77] The patent cases are by far the most complex, dwarfing the complexity of mostly single-issue appeals from many of the court's jurisdictional areas.[78] The relevant number is not a 13% increase in total appeals, but a 100% increase in the court's most complex appeals. The person in the best position to know, Chief Judge Michel, has explained how creating the right to interlocutory appeal and mandatory stay would affect the Federal Circuit's entire workload: "If a provision authorizing appeal as of right to this court from a claim construction ruling is included, I doubt the Federal Circuit as presently constituted could effectively absorb the increase."[79]

Proponents also ignore that many claim construction decisions become moot or are corrected by the trial court before entry of judgment. As Principal Deputy Assistant Attorney General Richard Hertling explained:[80]

> While claim construction is often dispositive, it may not be prudent to review this issue after a Markman hearing, where the effect of a particular claim construction on the ultimate result may not be clear. There may often be many claim terms whose meaning is at issue in a Markman hearing, and yet, the construction of only one term may be dispositive on the question of whether the claims are infringed. In such a case, it is not efficient to hear an appeal on the construction of several claim terms immediately, rather than waiting for a decision which may turn on the meaning of only one of them. Thus, there may be more to lose in terms of judicial economy through this provision that would be gained by earlier appellate review of claim construction issues.

Accordingly, interlocutory appeal implicates not just timing of the appeal of claim construction, but also the volume of claim construction issues that are appealed.[81]

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[77] Chief Judge Paul R. Michel, Intellectual Prop. Owners Ass'n, Keynote Address at the Recent Developments, Strategies and Tactics in Damages Law Conference Luncheon (March 27, 2007).

[78] Moore, *supra* note 34, at 28, 31; John B. Pegram, *Should There Be a U.S. Trial Court with a Specializaton in Patent Litigation?*, 82 J. Pat. & Trademark Off. Soc'y 766, 771 (2000).

[79] March 8 Michel Letter, *supra* note 74, at 1. *Accord*, Moore, *supra* note 34, at 31 ("Permitting interlocutory appeal of all claim construction issues would overburden the Federal Circuit.").

[80] Hertling Letter, *supra* note 4, at 5.

[81] This fact is missed by proponents of interlocutory appeal such as Gwendolyn Dawson, *Matchmaking in the Realm of Patents: A Call for the Marriage of Patent Theory and Claim Construction Procedure*, 79 Tex. L. Rev. 1257, 1285 (2001) ("Interlocutory appeal really only moves the Federal Circuit's review of claim construction from the final appeal to an earlier appeal").

Creation of a right to interlocutory appeal would increase the number of claim construction issues appealed to the Federal Circuit. As parties inevitably strive to fill their briefs to the limit, the arguments and briefing would multiply the burden on the court. Creating a right to interlocutory appeal would also multiply the number of appellate panels that would have to review any case that involved multiple appeals.

Without a nod to any of these burdens on the Federal Circuit, proponents argue that "the increased burden on the Federal Circuit will be greatly outweighed by the efficiencies gained at the trial court level."[82] Of course, a true analysis would also consider the delays and inefficiencies at the trial court level—not just the efficiencies. A true analysis would also include some empirical evidence, none of which has been provided or even identified.

C. Availability of interlocutory appeals and mandatory stays would encourage litigants to engage in gamesmanship.

Creation of the right to interlocutory appeal of claim construction rulings and mandatory stay pending that appeal would lead to gamesmanship by litigants. A litigant could force access to an appeal and mandatory stay by raising what until then had been latent claim construction issues. Particularly accused infringers, who benefit from delay, would be tempted to repeatedly raise claim construction issues in order to trigger a right to appeal and mandatory stay, thereby delaying the proceedings. Not just infringers, but any party that sees the case going badly would be tempted to inject a claim construction issue, thereby triggering an appeal and stay. Creation of the right to interlocutory appeal and mandatory stay would become a tool for litigants to delay the case.

D. The right to interlocutory appeal and mandatory stay would denigrate the independence of, and respect for, district court judges.

Creation of a right to interlocutory appeal of all claim construction rulings and mandatory stay of district court proceedings pending those appeals would deprive district judges of the ability to correct their own claim construction errors and would enhance the perception that they are constantly being second guessed by the Federal Circuit. "[T]he claim construction process would become one where the district court takes a first 'crack' at the construction."[83] Surely federal district judges deserve more respect from Congress.

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[82] Cadel, Schreiner & Phares, *supra* note 27.

[83] *The Patent Reform Act of 2007: Hearing before the H. Subcomm. On the Courts, the Internet and Intellectual Property, 110th Cong.* 13 (2007) (statement of Gary Griswold, President and Chief IP Counsel of 3M Innovative Properties Co. on behalf of the Coalition for 21st Century Patent Reform).

III. An Alternate Approach to Interlocutory Appeal and Mandatory Stay

The "solution" of creating a right to interlocutory appeal and mandatory stay would do nothing to address the stated problem, the unusually high claim construction reversal rate. When introducing a patent reform bill last year, Senator Hatch acknowledged the root problem to be solved by interlocutory appeals is the "current interplay between the federal district and appellate courts" where he recognizes "the high percentage of reversals on claim construction issues" and believes the issue should receive attention and consideration by Congress.[84] Senator Hatch recognized that there were many solutions to this problem, a right to interlocutory appeal and mandatory stay only being one idea.

Although the current legislative proposal for creating a right to interlocutory appeal of patent claim construction rulings suffers flaws, the issues surrounding the high reversal rate of claim construction rulings can and should be addressed. The participants in the debate have recognized alternatives to the pending bills' right to interlocutory appeal and mandatory stay. Chief Judge Michel has suggested a more limited appellate provision. Senator Hatch has recognized that "other experts believe that a return to the treatment of claims construction as a mixed question of law and fact might induce more deferential review by the appellate court" and that "others have suggested that increased expertise among the district court judges trying patent cases might result in a lower reversal rate."[85] Let us consider those alternatives in turn.

A. Limited Interlocutory Appeal.

In his June 13, 2007 letter to Senators Leahy and Specter, Chief Judge Michel suggested that the committee consider a right to appeal where the trial court certifies that its claim construction ruling would likely control a verdict of infringement.[86] This appellate route would differ from that of 28 U.S.C. §1292(b) in that the appellate court would have not discretion to reject the appeal. To trigger such an appeal, the appealing party would have to demonstrate to the district court that the claim construction would likely control a verdict of infringement, assumedly a lesser standard than the rigorous standard for grant of summary judgment, the lack of genuine issue of material fact. Chief Judge Michel explained that such appeals would be far less prevalent than under the

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[84] *Introduction of the Patent Reform Act of 2006: Hearing Before the S. Comm. On the Judiciary, 109th Cong.* (2006) (statement by Sen. Orrin G. Hatch, Member, S. Comm. on the Judiciary).

[85] *Id.*

[86] June 13 Michel Letter, *supra* note 11, at 1-2. Judge Michel's alternative is somewhat different from the non-legislative solution suggested by then-Professor Moore, that the Federal Circuit accept "interlocutory appeal of claim construction issues only after a grant of summary judgment of infringement or non-infringement or at some other defined stage of the litigation proceedings." Moore, *supra* note 34, at 31.

current proposal, which automatically makes appealable any order "determining the construction of claims."[87]

The Department of Justice has proposed a similar alternative. The Department of Justice's proposal would "permit review of an order or decision that determines infringement or noninfringement of claims in a civil action, which is no otherwise final, provided that the appeal raises an issue involving construction of a patent claim."[88]

Both Judge Michel's proposal and the Department of Justice proposal, however, suffer a flaw common to the pending proposal. Those proposals address only the symptom, the high reversal rate of claim construction rulings. They would not improve guidance that the appellate courts provide to the district courts, improve the quality of district court claim construction rulings, or increase the deference that the appellate courts give to those district court rulings. These are the steps that would increase predictability of claim construction rulings and reduce the reversal rate. These are the steps that would enhance the just, speedy and inexpensive determination of patent infringement cases.

B. Increased Trial Court Expertise on Patent Matters.

Congressman Darrell Issa (R. California) this year re-introduced HR 34, his bill to institute a pilot program aimed at "To establish a pilot program in certain United States district courts to encourage enhancement of expertise in patent cases among district judges."[89] HR 34 would initiate a 10-year pilot program under which judges in participating districts could opt out of hearing patent cases, and would provide judges that do not opt out of hearing patent cases additional training in patent law and funds for hiring technically trained law clerks.[90]

Congressman Issa directed HR 34 at the root of the claim construction problem. By allowing judges with no interest in patent cases to opt out of hearing such cases, and by increasing the training and resources of those judges that continue to hear such cases, the bill would afford judges in patent cases the opportunity to increase their expertise on patent matters. Armed with more expertise and resources, such judges would be expected to correctly decide patent claim construction issues more frequently. The bill would require the Federal Judicial Center to test this hypothesis by analyzing and reporting to Congress on

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[87] June 13 Michel Letter, *supra* note 11, at 1.

[88] Hertling Letter, *supra* note 4, at 5.

[89] HR 34, 110th Cong., 1st Sess. (introduced January 4, 2007).

[90] *Id.* at section (1)(a)(1).

“the rate of reversal by the Court of Appeals for the Federal Circuit, of such cases on the issues of claim construction and substantive patent law.”[91]

The House passed HR 34 on February 12, 2007. At present, the Senate has yet to introduce a companion bill.[92] To directly affect what some have suggested is a root cause of the high reversal rate of patent claim construction rulings, the Senate should replace the interlocutory appeal provision of the pending bills with a section or separate bill mirroring HR 34.

C. Appellate Deference to Trial Court Factual Findings.

Chief Judge Michel has identified four problems with de novo review of claim construction: (1) a steadily high reversal rate; (2) a lack of predictability about appellate outcomes; (3) loss of the comparative advantage of district court judges; and (4) inundation of the federal circuit with "the minutia of construing numerous disputed claim terms.[93] The first reason, of course, is the principal reason identified for creating a right to interlocutory appeal of claim construction rulings. That the reversal rate problem would be more directly addressed by increasing the Federal Circuit’s deference to district court claim constructions rulings has led many to call for the Federal Circuit to abandon de novo review of district court determinations that support the claim construction conclusion.[94] To do so, the Federal Circuit would have to reverse course, denominating those subsidiary determinations as findings of fact.[95] Although the Federal Circuit has

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[91] *Id*. at section (1)(e)(1)(C)(I).

[92] The Senate has not yet taken up HR 34 because it was referred to the Senate Judiciary Committee on February 13, 2007.

[93] *Amgen v. Hoechst Marion Roussel*, 469 F.3d 1039, 1040 (Fed. Cir. 2006) (en banc) (Michel, J., dissenting).

[94] *See, e.g., Brief for Amicus Curiae American Intellectual Property Law Association in Phillips v. AWH Corp*., Nos. 03-1269, -1286, http://www.aipla.org/Content/ContentGroups/ Issues_ and_Advocacy/Amicus_Briefs1/PhillipsAmicusBrief.pdf; ABA Section White Paper, *supra* note 68, at 42-44. The principal argument against granting deference to district court fact findings underlying claim construction is that the increased certainty gained by reducing appellate reversals of trial courts’ claim constructions would be outweighed by the decreased accuracy, that is, more erroneous claim construction rulings would be affirmed. Moore, *supra* note 34, at 23 (arguing that greater certainty from appellate deference could be outweighed by less accuracy); Dawson, *supra* note 77, at 1279-82 (same); Wallace, *supra* note 37 at 1401 (same). The answer to that problem, of course, is to take steps to increase the accuracy of district court claim construction rulings, as recommended above in Section III.B.

[95] If a legal issue like claim construction had underlying factual findings, one might assume that there would be a right to jury trial on the underlying factual findings, as the Federal Circuit has held is the case with the factual findings underlying the legal conclusion of obviousness. *Connell v. Sears, Roebuck & Co*., 722 F.2d 1542, 1547 (Fed. Cir. 1983). The Supreme Court in *Markman*, however, rejected the fact/law distinction as the basis for assigning responsibility to the court or jury, called claim construction a “mongrel practice,” and assigned to the district courts “all issues

been moving in that direction,[96] Congress need not wait for the court to act. It could take that step itself. Regardless of whether Congress or the Federal Circuit acted, that step would increase predictability by limiting the circumstances in which the Federal Circuit could reverse district court claim constructions.

CONCLUSION

Creation of the right to interlocutory appeal of patent claim construction rulings would not solve the problem it is intended to address, and would create a host of its own problems. To address the problem of unpredictable patent claim construction rulings, as manifested by the high rate of reversal of those rulings, Congress should take steps to enhance the patent expertise of district court judges and consider requiring appellate deference to district court claim construction decisions.

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of construction." *Markman*, 517, U.S. at 378, 390-91. Also, claim construction is a necessary predicate to the jury's determination of infringement and validity, so ascribing a right to jury trial to the underlying factual findings would lead to a circularity problem: the jury would have to decide facts before the court could decide the construction before the jury could decide the ultimate issues.

96 The Federal Circuit's most recent step toward a reversal of its en banc pronouncement in Cybor that claim construction determinations be reviewed de novo came in *Amgen,* 469 F.3d at 1039-1040, where the Court denied Amgen's petition for rehearing and rehearing en banc, over the dissents of Judges Newman, Michel, Rader and Moore.