Appellate Standard of Review for Claim Construction Remains Unsettled

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This Article discusses the appellate standard of review of claim constructions. The recent decision by the US Court of Appeals for the Federal Circuit in Lighting Ballast Control LLC v. Philips Electronics North America Corp. upheld the decision in Cybor Corp. v. FAS Techs., Inc. that a district court's claim construction is given no deference on appeal. However, the US Supreme Court recently granted a petition for certiorari in Teva Pharm. USA, Inc. v. Sandoz, Inc. and will consider whether to maintain this de novo review standard.

More than 15 years ago, in *Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448 (Fed. Cir. 1998)*, the US Court of Appeals for the Federal Circuit sitting en banc ruled that a district court's claim construction should be given no deference on appeal. Although this decision appeared to have settled the issue, the Federal Circuit judges remained deeply divided over it. The court decided to re-visit the issue in 2013 in *Lighting Ballast Control LLC v. Philips Elecs. N.A. Corp., Nos. 2012-1014, 2014 WL 667499 (Fed. Cir. Feb. 21, 2014) (Lighting Ballast III)*. To the surprise of some, the Federal Circuit refused to change its de novo standard for claim construction review.

Despite the *Lighting Ballast III* decision, on March 31, 2014 the Supreme Court decided to consider this very issue in *Teva Pharm. USA, Inc. v. Sandoz, Inc., (No.13-854) 2014 WL 199529 (Mar. 31, 2014)*. By agreeing to take this case, it is now conceivable that the Supreme Court will overrule Cybor and change the de novo standard of review for claim construction.

EVOLUTION OF THE CLAIM CONSTRUCTION STANDARD OF REVIEW

Since its inception in 1982, the Federal Circuit has grappled with the question of whether claim construction is a:

- Purely legal issue.
- Mixed issue of law and fact.
- Factual issue.

For example, some Federal Circuit panels have held that claim construction is either:

- A factual or mixed issue of fact and law, applying deference to the district court's factual conclusions (see *McGill Inc. v. John Zink Co., 736 F.2d 666, 671-72 (Fed. Cir. 1984)*).
- A matter of law, subject to de novo review (see *SSIH Equip. S.A. v. U.S. Int'l Trade Comm'n, 718 F.2d 365, 376 (Fed. Cir. 1983)*; *Specialty Composites v. Cabot Corp., 845 F.2d 981, 986 (Fed. Cir. 1988)* and *Read Corp. v. Portec, Inc., 970 F.2d 816, 822-23 (Fed. Cir. 1992)*).

In 1995, the Federal Circuit sought to resolve any inconsistencies in its decisions addressing appellate review of a district court's claim construction. Sitting en banc, it ruled that claim construction is:

- Solely a question of law for the court.
- Reviewed de novo on appeal.

(See *Markman v. Westview Instruments, Inc., 52 F.3d 967, 976-79 (Fed. Cir. 1995) (en banc) ("Markman I").*)

The Supreme Court unanimously upheld that claim construction is a legal issue (see *Markman v. Westview Instruments, Inc., 517 U.S. 370, 390 (1996) (Markman II)*). While the Supreme Court was silent on what the proper standard of appellate review should be for a district court's claim construction, it did note in dictum that claim construction is a "mongrel practice," "fall[ing] somewhere between a pristine legal standard and a simple historical fact" (see *Markman II, 517 U.S. at 378, 388*).

This left the issue of the proper standard of review unresolved. Federal Circuit judges took up the debate. While some judges felt that a district court's claim construction deserved no deference, several judges believed that they should not set aside a district court's findings of fact as part of claim construction absent clear error (see *Metaullics Sys. Co. v. Cooper, 100 F.3d 938, 939 (Fed. Cir. 1996)* and *J.T. Eaton & Co. v. Atl. Paste & Glue Co., 106 F.3d 1563, 1577 (Fed. Cir. 1997)*).

The Cybor decision was thought to have put this debate to rest when the Federal Circuit:

- Held that it reviews "claim construction de novo on appeal including any allegedly fact-based questions relating to claim construction."
- Explicitly disavowed "any language in previous opinions of this court that holds, purports to hold, states, or suggests anything to the contrary."

(*Cybor, 138 F.3d at 1456.*)

Yet, following *Cybor*, Federal Circuit judges continued to call for reconsideration of the de novo standard. For example, in a dissent from the Federal Circuit's en banc opinion in *Philips v. AWH Corporation*, Judge Mayer (joined by Judge Newman) reiterated his position that:

> "While this court may persist in the delusion that claim construction is a purely legal determination, unaffected by underlying facts . . . a claim should be interpreted from the perspective of one of ordinary skill in the art and in view of the state of the art at the time of invention... These questions, which are critical to the correct interpretation of a claim, are inherently factual."

(*Phillips v. AWH Corp., 415 F.3d 1301, 1330 (Fed. Cir. 2005)*)

A year later, in *Amgen Inc. v. Hoechst Marion Roussel, Inc*, Judges Dyk, Gajarsa, Linn, Michel, Moore, Newman and Rader also indicated that Cybor should be reconsidered (*469 F.3d 1039, 1040-46 (Fed. Cir. 2006)*). In *Retractable Techs. v. Becton Dickinson & Co.*, Judge O'Malley joined the seven *Amgen* judges (*659 F.3d 1369, 1373 (Fed. Cir. 2011)*).

LIGHTING BALLAST

With *Lighting Ballast Control LLC v. Philips Electronics North America Corp.*, the Federal Circuit answered the calls for reconsideration of Cybor (*No. 09-CV-29, 2010 WL 4946343 at *9 (N.D. Tex. Dec. 2, 2010) (Lighting Ballast I)*).

PROCEDURAL HISTORY

In *Lighting Ballast I*, the primary claim term addressed was "voltage source means," with the specific questions being whether:

- The term should be construed in accordance with *35 U.S.C. § 112 ¶ 6* (now *35 U.S.C. § 112(f)*) as a means-plus-function limitation.
- The specification sufficiently describes a corresponding structure to satisfy the definiteness requirement of 35 U.S.C. § 112 ¶ 2 (now *35 U.S.C. § 112(b)*).

(*Lighting Ballast I, 2010 WL 4946343 at *9.*)

Based on expert testimony concerning the knowledge of a person of ordinary skill in the art, the district court found that Lighting Ballast overcame the presumption that the term "voltage source means" was a means-plus-function limitation because the term itself sufficiently identifies a structure that would have been understood by a person of ordinary skill. As a result, the district court concluded that this claim term was sufficiently definite (*Lighting Ballast I, 2010 WL 4946343 at *12-13*).

On appeal, the Federal Circuit reversed, concluding that:

- Voltage source means was in fact a means-plus-function limitation subject to § 112, ¶ 6.
- Because the specification described no corresponding structure, the term was indefinite.

(*Lighting Ballast Control LLC v. Philips Elecs. North America Corp., 498 Fed. App'x. 986, 991-92 (Fed. Cir. 2013)* (*Lighting Ballast II*).)

According to *Cybor*, the court gave no deference to the district court's findings of fact concerning the knowledge of a person of skill in the art.

The Federal Circuit granted rehearing en banc on March 15, 2013 to reconsider *Cybor* (*Lighting Ballast Control LLC v. Philips Elecs. North America Corp., 500 Fed. App'x 951 (Fed. Cir. 2013)*). The court requested the parties to answer:

- Whether the court should overrule Cybor.
- Whether the court give deference to any aspect of a district court's claim construction.
- If giving deference to any aspect, which aspects should be given deference.

An *en banc* proceeding usually raises an issue on which the parties will take opposing sides. But here the litigants agreed that *Cybor* should, to some extent, be overruled. The US Patent and Trademark Office and a significant number of *amici* also agreed that *Cybor* should at least be modified to require the Federal Circuit to afford deference to some of the district court's findings of fact. The parties and *amici* differed on the scope of that exception. For example:

- Lighting Ballast argued in the rehearing that:
  - *Cybor* should be overruled; and
  - all parts of a claim construction decision should be afforded clear error deference review, including the ultimate claim construction (*Lighting Ballast Control LLC v. Philips Elecs. North America Corp., 744 F.3d 1272, 1277 (Fed. Cir. 2014)* (*Lighting Ballast III*).)
- The defendants, Philips Electronics and Universal Lighting Tech., Inc., argued that *Cybor* should be reversed or modified to:
  - require clear error review of subsidiary rulings on disputed issues of "historical fact;" and
  - maintain as purely legal and subject to *de novo* review a district court's findings based on intrinsic evidence (patent claims, specification and prosecution history) and its determination of the level of skill and knowledge in the art (*Lighting Ballast III, 744 F.3d 1272 at 1278-79*).

- Some *amici* including technology companies such as Google, Amazon, Hewlett-Packard, Cisco and Dell, advocated judicial restraint to maintain the *Cybor* holding (*Lighting Ballast III, 744 F.3d 1272 at 1279-80*).

On February 21, 2014 the Federal Circuit, in a sharply divided 6-4 decision, affirmed *Cybor* and upheld the *de novo* standard of review.

LIGHTING BALLAST MAJORITY

Judge Newman, writing for a majority that included Judges Lourie, Dyk, Prost, Moore and Taranto, affirmed *Cybor*. The court noted that:

- The question presented in *Lighting Ballast* differed from the one presented in *Cybor* because the question was not whether to adopt the *de novo* standard, but instead whether to change the standard.
- It could not abandon *de novo* review of claim construction because:
  - of *stare decisis*; and
  - no justification was provided for doing so, including no argument of public policy, changed circumstances, unworkability or intolerability.

(*Lighting Ballast III, 744 F.3d 1272 at 1281-86.*)

The court relied heavily on its experience with and the workability of the *de novo* standard of review. The court acknowledged that for 15 years the *Cybor* decision has been criticized (including by Judge Newman and other members of the majority), however, it concluded that the *de novo* standard had not proven to be unworkable. The court specifically noted that:

- The high reversal rate of district court claim constructions, which was the primary perceived flaw in the *de novo* standard:
  - has steadily improved; and
  - is now in line with other patent-related issues.
- Despite extensive questioning at oral argument and significant amicus curiae participation, a functional alternative that clearly delineated what constituted fact and law, had not emerged.

(*Lighting Ballast III, 744 F.3d 1272 at 1286-91.*)

The majority also rebutted the dissent's reliance on *Rule 52(a) of the Federal Rules of Civil Procedure* (FRCP 52(a)) to justify overturning *Cybor*, by noting that:

- Rule 52(a) applies to conclusions of fact, while claim construction is a question of law.
- Changing the standard would disregard the Supreme Court's guidance in *Markman II* that de novo review will "promote intrajurisdictional certainty."

(*Lighting Ballast III, 744 F.3d 1272 at 1290.*)

LIGHTING BALLAST DISSENT

The dissent, written by Judge O'Malley, and joined by Judges Rader, Reyna and Wallach, reasoned that *stare decisis* was an insufficient reason to uphold *de novo* review, which was inconsistent with *FRCP 52(a)*. In particular, the dissent reasoned that:

- *Cybor* misapprehended *Markman II*, resulting in an incorrect justification for the *de novo* standard.
- To review all parts of claim construction *de novo* is contrary to FRCP 52(a) which prevents findings of fact from being set aside unless they are clearly erroneous.
- Because *Cybor* runs contrary to FRCP 52(a), stare decisis does not prevent the Federal Circuit from overturning precedent.

(*Lighting Ballast III, 744 F.3d 1272 at 1296.*)

Teva Pharmaceuticals v. Sandoz

The debate concerning appellate review of claim construction has not yet ended because the Supreme Court has essentially decided to review *Lighting Ballast III* in another case.

Shortly after the Federal Circuit's *en banc* decision in *Lighting Ballast III*, the Supreme Court granted the petition for certiorari in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc*. after the Federal Circuit denied Teva's request for rehearing and rehearing en banc (*723 F.3d 1363 (Fed. Cir. 2013) (Teva II)*).

In *Teva I*, the key question before the district court concerned the meaning of the term "average molecular weight." Because the patents did not address how to calculate average molecular weight, the district court:

- Relied on testimony from Teva's expert.
- Concluded that a person of ordinary skill in the art would understand the term related to "peak" average molecular weight.
- Held the term to be sufficiently definite.

(*Teva Pharm USA, Inc. v. Sandoz, Inc., 810 F. Supp. 2d 578, 586-96 (S.D.N.Y. 2011).*)

On appeal, the Federal Circuit reversed, finding that average molecular weight was indefinite because the patents did not resolve the ambiguity in its meaning (*Teva II, 723 F.3d at 1369*). The court, following *Cybor*, gave no deference to the district court's findings of fact concerning the understanding of a person of skill in the art.

Teva's petition for certiorari included the following question, which the Supreme Court has now decided to consider:

"Whether a district court's factual finding in support of its construction of a patent claim term may be reviewed *de novo*, as the Federal Circuit requires (and as the panel explicitly did in this case), or only for clear error, as Rule 52(a) requires."

(*Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc., (No.13-854) 2014 WL 230926 (Jan. 10, 2014).*)

Two Wrongs Do Not Make A Right

Most patent attorneys recognize that the basic claim construction question is a question of fact, namely, about how a person of ordinary skill would understand the meaning of the claim term at the time of the invention. To conduct that analysis, a district court (and litigants) must consider facts addressing that question and determine what that means for any particular claim term, which is a classic factual finding.

Therefore, when the Federal Circuit in *Cybor* stated that the analysis is strictly legal, it was wrong practically and legally. In particular, nothing in the Supreme Court's *Markman* decision states that there are no factual determinations embedded within the ultimate legal issue of the meaning of the claims. To the contrary, as the Supreme Court stated, claim construction is a mongrel practice, part factual, part legal.

Holding that *stare decisis* precludes fixing *Cybor*'s error, as the Federal Circuit did in *Lighting Ballast III*, does not make the wrong decision right. The fact that the Supreme Court has now granted the petition for certiorari in *Teva II* and will specifically consider the role of *FRCP 52(a)* in claim construction foreshadows that it will ignore the Federal Circuit's attempts to support *Cybor* on the basis of *stare decisis*. Indeed, it is hard to see how *stare decisis* will play much of a role in the Supreme Court's analysis of the issue. Instead the Supreme Court likely will focus on its previous decisions, like *Markman II*, and FRCP 52(a) itself.

A Workable Approach to Claim Construction

A primary concern in *Lighting Ballast III* was identifying the boundaries of a deferential standard. For example, it was not clear where the line should be drawn between:

- Facts given deference, referred to as historical facts.
- Other fact findings.

According to the majority, none of the proposals clearly delineated between a conclusion of fact versus a conclusion of law, inferring this cannot be done (*Lighting Ballast III, 2014 WL 667499, at *8-10*).

But that, as the dissent in *Lighting Ballast III* points out, ignores that other issues are treated as mixed questions. For example, obviousness is a classic question of law subject to *de novo* review, but with subsidiary underlying findings of fact related to the knowledge of one skilled in the art reviewed for clear error (see *Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 17 (1966)* and *Dennison Mfg. Co. v. Panduit Corp., 475 U.S. 809, 811 (1986)*).

This type of analysis can and should be applied to claim construction. Specifically, a workable claim construction solution for consideration would require the district court to:

- First determine the meaning of a claim term to a person of ordinary skill in the art based on:
  - that person's experience;
  - outside resources (extrinsic evidence); and
  - the patent and prosecution history (intrinsic evidence).

  This would be a fact finding subject to clear error review.

Then construe the term according to traditional claim construction legal principles. For example, the district court would consider whether:

- claim differentiation applied;
- there was prosecution disclaimer, or
- there was any other applicable legal principles affecting the construction of patent claims.

  These are legal conclusions that would be subject to *de novo* review.

Under this structure, a party may establish a particular definition for a claim term to a person of skill in the art, however, it must still comport with the intrinsic record. Therefore, the understanding of what a particular term means to a person of skill in the art is subject to clear error deference, but the final construction applying that definition to the intrinsic record is subject to *de novo* review.

Concerns over inconsistent and incorrect constructions would be no greater than they already are for obviousness. If a claim term is construed in a manner that is incorrect or inconsistent with other constructions, even though based on a district court's findings of fact, the Federal Circuit would still apply *de novo* review. However, the Federal Circuit would not be able to overturn a claim construction based purely on an opposing interpretation of the knowledge of a person of ordinary skill, unless it was found to be clearly erroneous.

Implications of the Decision to Consider Appellate Review of Claim Construction

The Supreme Court's decision to review the Federal Circuit's *de novo* standard for claim construction review should finally resolve this multi-decade debate. If the Supreme Court overturns the *Cybor* standard and holds that deference is necessary, it likely would change claim construction practice in significant ways. In particular:

- The Federal Circuit would have fewer bases to overturn a claim construction decision and therefore reversal rates should go down.
- Parties will be more focused on deferential facts and making claim construction arguments revolve around those facts. This would likely result in:
  - litigants pushing for more expert testimony and more frequent use of live witnesses at Markman hearings; and
  - longer, more time consuming and more expensive *Markman* hearings.

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