Improvidently Granted: Why the En Banc Federal Circuit Chose the Wrong Claim Construction Issue

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INTRODUCTION

The United States Court of Appeals for the Federal Circuit recently granted en banc review in *Lighting Ballast Control LLC v Philips Electronics North America Corp*[1] to decide whether to afford deference to a district court's interpretation of patent claims,[2] a step that has been heralded as potentially "lead[ing] to fundamental, far-reaching changes in patent law and patent litigation strategies."[3] Over the next few months, the parties, scores of amici, and commentators will spend reams of paper and untold amounts of money arguing whether claim construction—interpreting the short, numbered paragraphs at the end of the patent that define the patentee's legal rights—should continue to be reviewed de novo or should be reviewed more deferentially. These efforts will be futile.

The Federal Circuit should be commended for addressing claim construction en banc for a fourth time in twenty years.[4] Claim construction is the single most important event in any patent case. It is a threshold question for virtually every other issue

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1 No 2012-1014, slip op (Fed Cir Mar 15, 2013).

2 Id at 2.

3 Ropes & Gray LLP, *Federal Circuit Orders En Banc Review of* Cybor *and Standard of Review for Claim Construction*, Ropes & Gray Alert: Intellectual Property Litigation (Mar 18, 2003), online at http://www.ropesgray.com/files/Publication/ce164b07-8e54-4463-9003-3f39f48248f8/Presentation/PublicationAttachment/abf58013-5855-40c3-bc38-4634ce73acfa/20130318_IP_Alert.pdf (visited Apr 30, 2013).

4 See *Phillips v AWH Corp*, 415 F3d 1303 (Fed Cir 2005) (en banc); *Cybor Corp v FAS Technologies, Inc*, 138 F3d 1448 (Fed Cir 1998) (en banc); *Markman v Westview Instruments, Inc*, 52 F3d 967 (Fed Cir 1995) (en banc).

and is often case dispositive or, at least, case determinative.[5] Scholars, judges, and practitioners criticize the Federal Circuit's claim construction doctrine for creating unpredictability and uncertainty, high reversal rates, panel dependence, disincentives to settle, and increased litigation costs.[6] These problems normally are ascribed to one or both of two causes: (1) institutional design, and primarily the Federal Circuit's de novo review of claim construction; and (2) a deep and persistent methodological split over the relative effect on claim interpretation of the description of the invention in the patent specification and the "ordinary" meaning of claim language as derived from dictionaries, expert testimony, and other extrinsic sources.

It is not surprising that the Federal Circuit chose the first issue to review en banc. The standard of review for claim construction has been the more popular target for scholars and judges, with deferential review seen as a panacea that will cure all that ails the claim construction precedent. Yet, it was the wrong choice. Increased deference to district court claim constructions will do little or nothing to improve claim construction as long as the methodological split remains. And because the proper standard of review depends on the nature of the claim construction inquiry, the Federal Circuit cannot even effectively resolve this issue without first resolving the methodological schism.

The best path forward for the Federal Circuit is to dismiss the grant of en banc review in *Lighting Ballast* as improvidently granted and wait for an en banc petition that presents the methodological split. This will not happen. Instead, the Federal Circuit likely will adopt a more deferential standard of review, and practitioners and scholars will herald a new day of certainty and predictability in claim construction, only to find a few years from now that claim construction is just as unpredictable and uncertain, panel dependent, and prone to reversal as ever.

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[5] See R. Polk Wagner and Lee Petherbridge, *Did* Phillips *Change Anything? Empirical Analysis of the Federal Circuit's Claim Construction Jurisprudence*, in S. Balganesh, ed, *Intellectual Property and the Common Law* *4 (forthcoming 2013), online at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1909028 (visited Apr 30, 2013).

[6] See Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 Harv J L & Tech 1, 27–28 (2001); Kristen Osenga, *Linguistics and Patent Claim Construction*, 38 Rutgers L J 61, 64 (2006); R. Polk Wagner and Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U Pa L Rev 1105, 1169–70 (2004).

I. THE FEDERAL CIRCUIT'S CLAIM CONSTRUCTION PROBLEM

Before the mid-1990s, the legal doctrine of patent claim construction was underdeveloped, as claim construction was left to juries or resolved by judges on the fly during bench trials. Once the Supreme Court assigned claim construction to trial judges in *Markman v Westview Instruments, Inc*,[7] claim construction received more judicial and scholarly attention, and two splits quickly developed in the Federal Circuit's case law.

First, Federal Circuit opinions diverged as to whether claim construction was purely a matter of law reviewed de novo or had factual components reviewed under a deferential clearly erroneous standard of review. The en banc Federal Circuit resolved this issue in *Cybor Corp v FAS Technologies, Inc*,[8] holding that claim construction was purely a question of law reviewed de novo.[9] *Cybor*, however, has come under persistent attack from the patent community, with judges and scholars repeatedly arguing that claim construction has factual components that should be reviewed deferentially.[10]

Second, a methodological split developed in Federal Circuit claim construction decisions. A claim-centric methodology applied a heavy presumption in favor of the ordinary meaning of claim terms to a skilled person in the field at the time of invention, as derived from treatises, dictionaries, or other extrinsic sources. This methodology only consulted how claim terms were used in the patent specification's description of the invention late in the claim construction process and for very limited purposes.[11] A specification-centric methodology emphasized that the

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7 517 US 370, 391 (1996).

8 138 F3d 1448 (Fed Cir 1998) (en banc).

9 Id at 1456.

10 See, for example, *Retractable Technologies, Inc v Becton, Dickinson and Company*, 659 F3d 1369, 1373 (Fed Cir 2011) (Moore dissenting from denial of rehearing en banc); *Amgen Inc v Hoechst Marion Roussel, Inc*, 469 F3d 1039, 1040–46 (Fed Cir 2006) (denying en banc review, with seven judges concurring or dissenting from denial of rehearing en banc and arguing for various levels of deference to district court claim construction). See also J. Jonas Anderson and Peter S. Menell, *Informal Deference: An Historical, Empirical, and Normative Analysis of Patent Claim Construction*, 108 Nw U L Rev *61–71 (forthcoming 2014), online at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2150360 (visited May 7, 2013); Craig Allen Nard, *A Theory of Claim Interpretation*, 14 Harv J L & Tech 1, 9–10 (2000).

11 See, for example, *Texas Digital Systems, Inc v Telegenix, Inc*, 308 F3d 1193, 1202–05 (Fed Cir 2002). See also Christopher A. Cotropia, *Patent Claim Interpretation Methodologies and Their Claim Scope Paradigms*, 47 Wm & Mary L Rev 49, 90–91 (2005).

use of claim terms in the patent's specification was "the single best guide to the meaning of a disputed term," and relied on extensive and early use of the specification to define the disputed claim term.[12]

The Federal Circuit granted en banc review in *Phillips v AWH Corp*[13] to resolve this methodological dispute. In this 2005 en banc decision, the Federal Circuit seemed to endorse the specification-centric methodology when reciting the appropriate legal standards for claim construction.[14] However, when it addressed the actual claim term under review, it adopted a construction based on the "generic meaning" of the term derived from a dictionary, rejecting a construction derived from the description of the term in the specification.[15] As a result, both competing lines of authority have cited *Phillips* as support for their position.[16] Recent empirical work shows that the Federal Circuit's methodological split remains as prevalent as before *Phillips*.[17] If anything, the methodological split has become stronger, as a third distinct methodology can now be identified in the case law: looking to the specification to identify the patentee's "actual invention," then tailoring the claim language as necessary to capture this "actual invention."[18]

Thus, in recent years, the Federal Circuit has faced two primary claim construction issues, both of which it had previously failed to resolve en banc. Each issue has been raised in numerous petitions for en banc review. The Federal Circuit declined opportunities to address the methodological split en

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12 *Vitronics Corp v Conceptronic, Inc*, 90 F3d 1576, 1582 (Fed Cir 1996). See also Cotropia, 47 Wm & Mary L Rev at 87, 105 (cited in note 11).

13 415 F3d 1303 (Fed Cir 2005) (en banc).

14 Id at 1315–17, 1320–24.

15 Id at 1324–27.

16 Compare *On Demand Machine Corp v Ingram Industries, Inc*, 442 F3d 1331, 1337–38 (Fed Cir 2006) (describing *Phillips* as emphasizing a specification-centric methodology), with *Retractable Technologies*, 659 F3d at 1371–72 (Moore dissenting from denial of rehearing en banc) (citing *Phillips* as having resolved the methodological split in favor of a claim-centric approach).

17 Wagner and Petherbridge, *Did* Phillips *Change Anything?* at *20–22, 30 (cited in note 5).

18 See, for example, *Arlington Industries, Inc v Bridgeport Fittings, Inc*, 632 F3d 1246, 1258 (Fed Cir 2011) (Lourie concurring in part and dissenting in part). By starting with the description of the invention in the specification and then interpreting claim terms creatively to reflect this invention, this third approach differs from the traditional specification-centric methodology, which starts with a specific claim term and then looks to the usage of this term in the specification to define the term. See generally Greg Reilly, *Judicial Capacities and Patent Claim Construction*, 20 Mich Telecomm & Tech L Rev (forthcoming 2014).

banc,[19] choosing instead to address the standard of review en banc in *Lighting Ballast*. That choice was a mistake.

II. RESOLVING THE STANDARD OF REVIEW BEFORE METHODOLOGY IS COUNTERPRODUCTIVE

Increased deference to the district court's claim construction will not have a substantial impact on the primary problems that plague claim construction, at least as long as the methodological schism remains. The Federal Circuit's claim construction jurisprudence has been criticized for creating both ex ante unpredictability as to patent scope before litigation and ex post uncertainty in litigation even after the district court has issued its claim construction order. Theoretically, deferential review of claim construction will reduce ex post uncertainty by decreasing the chances that a district court claim construction will be reversed on appeal. But, by definition, it will have no impact on ex ante unpredictability, since the increased chances that the district court's claim construction will be the legally operative determination of patent scope cannot improve public notice of patent scope until *after* that construction is issued in litigation. Because the choice between claim construction methodologies drives case outcomes, ex ante unpredictability will remain rampant unless and until the Federal Circuit resolves its methodological schism.[20]

A reduction in ex post uncertainty in litigation could have positive benefits by removing disincentives to settle and decreasing litigation costs. But the costs of ex post uncertainty in litigation pale in comparison to the costs of the ex ante unpredictability of patent claim scope before litigation. Few patents are litigated and fewer still are litigated through a district court claim construction. Moreover, ex ante unpredictability creates significant inefficiencies in primary behavior, as a party may engage in unintentional infringement that could have been cheaply avoided, refrain from productive activities not actually within the claim scope, pay unnecessary royalties, and undertake costly litigation.[21] Leading commentators have identified ex

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[19] See, for example, *Retractable Technologies*, 659 F3d at 1373 (Moore dissenting from denial of rehearing en banc) (urging the court to consider both methodological and standard-of-review issues en banc).

[20] See Wagner and Petherbridge, 152 U Pa L Rev at 1170, 1176–77 (cited in note 6).

[21] See William R. Hubbard, *Efficient Definition and Communication of Patent Rights: The Importance of Ex Post Delineation*, 25 Santa Clara Computer & High Tech L

ante unpredictability of patent scope, caused at least in part by unpredictable interpretive methodologies, as a prime cause for the patent system's failures.[22]

Moreover, increased deference to the district court's claim construction is unlikely to generate even the limited benefits of greater ex post certainty in litigation, at least as long as the methodological schism remains. Empirical studies have found that the Federal Circuit's high reversal rate of district court claim constructions is driven by the methodological split; that is, when the Federal Circuit panel disagrees with the district judge's claim construction, it is normally because the district court applied a different methodology than that preferred by the panel. One study attributed 75 percent to 82 percent of Federal Circuit claim construction reversals to the methodological split.[23]

When a district court chooses between the two competing methodological approaches to claim construction—for example, whether to emphasize the ordinary meaning found in extrinsic sources, or the description of the invention in the specification—it is adopting a particular legal standard or test for resolving claim construction. Courts, including the Federal Circuit, review whether a district court applied the correct legal standard or test for resolving an issue de novo, even when the issue itself is subject to deferential review.[24] Thus, changing the standard of

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J 327, 338 (2009); Jeffrey A. Lefstin, *Claim Construction, Appeal, and the Predictability of Interpretive Regimes*, 61 U Miami L Rev 1033, 1041–42 (2007).

[22] See, for example, James Bessen and Michael J. Meurer, *Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk* 10 (Princeton 2008).

[23] See Wagner and Petherbridge, 152 U Pa L Rev at 1143–45 (cited in note 6). See also David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 Mich L Rev 223, 265–66 (2008) (identifying methodological inconsistencies as a potential cause of high claim construction reversal rates); Kimberly A. Moore, Markman *Eight Years Later: Is Claim Construction More Predictable?*, 9 Lewis & Clark L Rev 231, 247 (2005) (suggesting methodological issues as the most likely cause for high claim construction reversal rates). But see Anderson and Menell, 108 Nw U L Rev at *57–59 (cited in note 10) (finding the recent decrease in Federal Circuit reversal rates despite persistence of methodological split).

[24] See, for example, *MarcTec, LLC v Johnson & Johnson*, 664 F3d 907, 915–16 (Fed Cir 2012) ("Whether the district court applied the correct legal standard [for an exceptional case] under § 285 is a question this court reviews *de novo*, and we review the court's exceptional case finding for clear error."); *Cancer Research Technology Ltd v Barr Laboratories, Inc*, 625 F3d 724, 728–29 (Fed Cir 2010) ("We review a district court's determination of prosecution laches for abuse of discretion, but we review the legal standard applied by the district court *de novo*.") (citations omitted); *Glass v United States*, 258 F3d 1349, 1353 (Fed Cir 2001) ("The underlying question of whether the shareholders are third party beneficiaries to the alleged contract is a mixed question of law and fact, but the appropriate test for third party beneficiary status is a question of law that we review de novo.").

review for claim construction will have limited impact on the bulk of reversals where the district court chose the wrong side of the methodological split from that preferred by the Federal Circuit panel. Its impact will be only on the remaining one-fifth to one-quarter of claim construction reversals, providing at most a marginal effect on ex post certainty in litigation.

Because the appellate standard of review for claim construction will have no effect on the more important problem of ex ante unpredictability of claim scope before litigation and at best a marginal impact on the less important problem of ex post uncertainty during litigation, the Federal Circuit's en banc proceedings in *Lighting Ballast* are hardly worth the effort and money that the court, the parties, and the patent community will expend. Not only are the proceedings of limited value, they are affirmatively detrimental by consuming the Federal Circuit's limited resources—physical, political, and psychological—for en banc proceedings, distracting from the far more important methodological split, and creating false expectations that the Federal Circuit's claim construction problems will be cured as soon as a more deferential standard of review is adopted.

III. THE IMPOSSIBILITY OF RESOLVING THE STANDARD OF REVIEW BEFORE METHODOLOGY

The proper standard of review depends on the nature of the issue being reviewed. Findings of historical facts are subject to deferential clear error review in civil cases in recognition of the district court's expertise and superior position in weighing evidence and resolving credibility determinations.[25] Legal questions are subject to unfettered de novo review because of the relative competence of appellate courts and the need for consistency and coherent development of the law.[26] And the standard for mixed questions of fact and law depends on whether the trial court or appellate court is better positioned to decide the issue and whether the questions of law or questions of fact are likely to predominate the mixed question.[27] Which of these categories best describes claim construction depends on the specific methodological approach to claim construction.

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[25] George C. Pratt, 19 *Moore's Federal Practice* § 206.03[3] at 206-16 (Matthew Bender 3d ed 2012).

[26] Id at § 206.04[2] at 206-24 to -25.

[27] Id at § 206.04[3][a]–[b] at 206-25 to -28.

In general, a claim construction methodology that emphasizes use of a claim term in the patent document itself and discourages use of expert testimony and other extrinsic evidence about the general meaning to a skilled person in the field—the specification-centric approach being an example—looks more like the quintessentially legal task of interpreting a written document, which appellate courts are as capable of as trial courts and therefore review de novo.[28] To the extent that this approach leaves some room for extrinsic evidence about a skilled person's knowledge and understanding, rendering claim construction a mixed question, de novo review likely would still be appropriate because legal questions regarding the written document itself would predominate.

On the other hand, like the claim-centric approach, a claim construction methodology that emphasizes the ordinary or plain meaning that a claim term would have in the abstract to a skilled person in the field, rather than emphasizing the disclosure of the patent itself, would require an inquiry more like the historical fact finding normally entitled to deferential review.[29] This approach may constitute a mixed question because it calls for a limited inquiry into the disclosure of the patent specification to determine whether the plain meaning has been clearly rebutted. Nevertheless, the factual issues about a skilled person's abstract understanding likely would predominate over the limited role given to the written document and justify deferential review.

Finally, depending on how the third competing claim construction methodology—tailoring the claim language as necessary to reflect the "actual invention" disclosed in the patent specification—is characterized, it could be seen as (1) an exercise in interpretation of a written document, subject to de novo review, or (2) identification of the historical fact of what a skilled person in the field would understand the patentee to have invented, subject to deferential review. Notably, the Federal Circuit reviews the similar question of whether the patent specification

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[28] See, for example, *Valley National Bank v Abdnor*, 918 F2d 128, 130 (10th Cir 1990).

[29] See, for example, *National Union Fire Insurance Co of Pittsburgh, PA v Circle, Inc*, 915 F2d 986, 989 (5th Cir 1990) (stating that contract interpretation is reviewed deferentially if it is based on extrinsic evidence about party intent).

sufficiently describes the invention for purposes of patent validity as a factual question reviewed deferentially on appeal.[30]

Because different methodological approaches could dictate different standards of review, the standard of appellate review of claim construction cannot be fully or reliably determined without first resolving the methodological division. Doing so will lead to an uninformed decision that lacks a sound theoretical justification. And, worse, the more deferential review that will likely result from *Lighting Ballast* may be used as a trump card in the methodological debate. A holding that claim construction, in full or part, is entitled to the deferential review given to fact questions may then be used as evidence that the proper claim construction methodology should emphasize factual inquiries, like the abstract meaning to a skilled person in the field.[31] But the substantive legal doctrine should decide the standard of review, not the other way around. A decision on the far less important standard of review question could create a Trojan horse that dictates the result of the far more important methodological question, without direct consideration or resolution of that issue.

CONCLUSION

Because en banc resolution of the standard of review is not only of questionable value in light of the Federal Circuit's deep split over claim construction methodology, but also could be detrimental to resolution of the far more important methodological issue, the wisest course for the Federal Circuit is to dissolve the en banc proceedings in *Lighting Ballast* as improvidently granted. The Federal Circuit does not appear to have ever taken such a step, though its rules permit it,[32] and the Supreme Court regularly dismisses writs of certiorari as improvidently granted.[33] Unfortunately, the claim construction standard of review has been a popular cause among judges and commentators for years,

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[30] *Ariad Pharmaceuticals, Inc v Eli Lilly and Company*, 598 F3d 1336, 1355 (Fed Cir 2010) (en banc).

[31] See Anderson and Menell, 108 Nw U L Rev at *70–71 (cited in note 10) (arguing in favor of more deferential appellate review because it would lead to greater emphasis on expert testimony and other extrinsic evidence).

[32] See United States Court of Appeals for the Federal Circuit Internal Operating Procedures #14(8), online at http://www.cafc.uscourts.gov /images/stories/rules-of-practice/IOPsMaster.pdf (visited May 1, 2013).

[33] See, for example, *Laboratory Corp of America Holdings v Metabolite Laboratories, Inc*, 548 US 124, 125 (2006).

and the Federal Circuit is not likely to shy away from it now, having gone down this road already.

Therefore, the best realistic outcome of the *Lighting Ballast* en banc proceedings is that the Federal Circuit recognizes the importance of resolution of the methodological split to the proper standard of review and the limited impact that even the broadest pronouncement on the standard of review will have on the problems that plague claim construction. If it does, the court likely will avoid a broad holding that claim construction is always factual or heavily fact intensive in favor of a narrower holding that district court findings about the factual state of the art or knowledge of a skilled person based on extrinsic evidence are entitled to deference. By doing so, the court will defer weighing in on the propriety or importance of this type of evidence in claim construction until it is ready to directly address the methodological split en banc.