

**DEATH TO CYBOR *DE NOVO* CLAIM CONSTRUCTION  
REVIEW THROUGH LEAHY, S. 1145\***

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*Cybor!* No single case has created greater division between trial courts and the Federal Circuit than this 1998 *en banc* determination that a claim construction ruling by a trial court is subject to *de novo* review without any deference, even where made after a heavily fact-intensive, lengthy consideration of evidence including expert witnesses.

The simple statutory fix to the problem should be a simple legislative override of *Cybor*. Instead, the Leahy legislation creates the very problematic solution where an interlocutory appeal may be taken: If certified by the trial judge, the Federal Circuit would be *compelled* to accept the appeal – while the trial court could temporarily suspend the patent proceedings until the Federal Circuit reached its claim construction determination.

The legislative solution takes a sledgehammer to a problem that could be fixed with a surgical needle.

To the extent that the Leahy legislation passes, it would be difficult to imagine much time passing before the Federal Circuit would *sua sponte* choose to overrule its *Cybor* precedent.

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\* This paper analyzes Sec. 8(b) of Leahy, S. 1145, *The Patent Reform Act of 2007*, according to the text released by the Senate Judiciary Committee in early 2008 of a *draft* Committee Report. The relevant sections of this Report are found as an appendix, including footnotes to relevant citations and a full text of the proposed amendment focusing upon claim construction review. Date: January 23, 2008. This paper represents the personal views of the author and does not necessarily reflect the views of any colleague, organization or client thereof.

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**LEAHY, S. 1145, *THE PATENT REFORM ACT OF 2007***

**[DRAFT *REPORT*]**

**EXCERPTS DEALING WITH AN INTERLOCUTORY APPEAL OF  
*MARKMAN* CLAIM CONSTRUCTION RULINGS**

Calendar No. \_\_\_\_\_

**110<sup>th</sup> CONGRESS**

*Report*

***SENATE***

**THE PATENT REFORM ACT OF 2007**

*Mr. LEAHY, from the Committee on the Judiciary, submitted the following*

**R E P O R T**

[To accompany S. 1145]

The Committee on the Judiciary, to which was referred the bill (S. 1145), to amend title 35, United States Code, to provide for patent reform, having considered the same, reports favorably thereon and recommends that the bill do pass.

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## Summary of Changes

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### **Section 8: Venue and jurisdiction**

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#### *Interlocutory appeals of claim construction orders*

##### Background

In many patent infringement cases, the proper meaning of a patent claim (referred to as “claim construction”) is a vital, threshold determination. A finding of patent infringement will often turn on the proper interpretation of the patent claims, which may also determine the patent’s validity.<sup>122</sup> A decade ago, the Supreme Court held in *Markman v. Westview Instruments, Inc.*,<sup>123</sup> that district court judges, not juries, should determine the proper meaning of a patent claim. Shortly thereafter, the Federal Circuit in *Cybor Corp. v. FAS Technologies, Inc.*,<sup>124</sup> held that the standard of review of claim construction decisions by the district court was *de novo*, giving no deference to the district court judges that made those determinations.

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<sup>122</sup> See, e.g., *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 457 F.3d 1293 (Fed. Cir. 2006) (reversing the district court’s claim construction and remanding for a second time for the district court to determine whether the newly construed claim was anticipated by the prior art).

<sup>123</sup> 517 U.S. 370 (1996).

<sup>124</sup> 138 F.3d 1448 (Fed. Cir. 1998) (en banc).

Determining the proper meaning of the claims is vital to the outcome of most patent cases, and should occur early in the litigation to avoid unnecessary costs.<sup>125</sup> Moreover, since the Federal Circuit would review such decisions without giving deference to the district court, its view of the proper claim construction is paramount.<sup>126</sup>

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<sup>125</sup> See *Patent Reform: The Future of American Innovation: Hearing on S. 1145 Before the Senate Comm. on the Judiciary*, 110<sup>th</sup> Cong. 289-291 (2007) (statement of John A. Squires, Esq., Chief Intellectual Property Counsel, Goldman, Sachs & Co.); *Perspectives on Patents: Post-Grant Review Procedures and Other Litigation Reforms: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. 34 (2006) (statement of Andrew Cadel, Managing Director and Chief Intellectual Property Counsel, JP Morgan Chase); *Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Jonathan Band, Counsel, on behalf of Visa and the Financial Services Roundtable); see also *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1475-77 (Fed. Cir. 1998) (en banc) (dissenting opinion of Rader, J.).

<sup>126</sup> See *Patent Reform: The Future of American Innovation: Hearing on S. 1145 Before the Senate Comm. on the Judiciary*, 110<sup>th</sup> Cong. 289-290 (2007) (statement of John A. Squires, Esq., Chief Intellectual Property Counsel, Goldman, Sachs & Co.); *Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary*, 109th Cong. (2005) (statement of Jonathan Band, Counsel, on behalf of Visa and the Financial Services Roundtable).

Following these decisions, many district courts began holding separate claim construction hearings, which became known as “*Markman*” hearings. District courts often then issue *Markman* claim construction decisions.<sup>127</sup> In certain cases, parties requested, and district judges certified, *Markman* decisions for interlocutory appeal to the Federal Circuit. The parties, and the district courts, understood the importance of having a claim construction decision early in the process and, because of *de novo* review, that the Federal Circuit would have to rule on construction before the parties could accurately assess their liabilities. The Federal Circuit, however, refused to take most such requests.<sup>128</sup> As a result, full trials often had to be held before an appeal could be taken of the claim construction issue.<sup>129</sup>

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<sup>127</sup> See *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1479 (Fed. Cir. 1998) (en banc) (“Although the district courts have extended themselves, and so-called ‘*Markman* hearings’ are common, this has not been accompanied by interlocutory review of the trial judge’s claim interpretation. The Federal Circuit has thus far declined all such certified questions.”).

<sup>128</sup> See V. Ajay Singh, *Interlocutory Appeals In Patent Cases Under 28 U.S.C. § 1292(C)(2): Are They Still Justified And Are They Implemented Correctly?*, DUKE L.J. VOL. 55, 179, 196 (2005) (“the Federal Circuit has thus far refused to hear permissive appeals related to claim construction”).

<sup>129</sup> Unfortunately, there are also examples where the Federal Circuit has had to hear multiple district court claim construction related appeals, and has remanded the case back to the district court several times based on new claim construction theories. See, e.g., *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 457 F.3d 1293 (Fed. Cir. 2006) (a 10 year litigation that has to date already had two appeals and the case is remanded back for a likely third district court decision, and possible third appeal).

Numerous studies have shown that the Federal Circuit's reversal rate of district court claim construction decisions is unusually high.<sup>130</sup> District court decisions may place several claim terms in dispute, and reversal by the Federal Circuit as to the meaning of just one claim term may require that the case be remanded to the district court for further proceedings.<sup>131</sup> The Committee heard that the manner claim construction determinations are currently reviewed increases litigation costs,<sup>132</sup> decreases certainty and predictability, and can prolong settlement discussions.

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<sup>130</sup> See, e.g., Paul M. Schoenhard, *Reversing the Reversal Rate: Using Real Property Principles to Guide Federal Circuit Patent Jurisdiction*, 17 FORDHAM INTEL. PROP. MEDIA & ENT. L.J. 299, 303 (2007) (citing several studies of Federal Circuit reversal rates of claim construction decisions, ranging from 33% to over 50%). Although the exact number is subject to debate, it is safe to say the number is relatively high, especially as compared to traditional reversal rates. This is not entirely surprising since current Federal Circuit precedent encourages the parties to contest the meaning of several different claim terms both before the district court and the Federal Circuit. For example, it is not uncommon for a party to appeal (or cross appeal) the meaning of several terms, and if the Federal Circuit disagrees as to just one, it is likely the case will need to be remanded to the district court.

<sup>131</sup> See *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1474 n. 2 (Fed. Cir. 1998) (opinion by Rader, J. dissenting, "In the words of United States District Court Judge Roderick McKelvie: '[I]n spite of a trial judge's ruling on the meaning of disputed words in a claim, should a three-judge panel of the Federal Circuit disagree, the entire case could be remanded for retrial on [a] different [claim interpretation],'" citing *Elf Atochem North Am., Inc. v. Libbey-Owens-Ford Co.*, 894 F.Supp. 844, 857, 37 USPQ2d 1065, 1075 (D.Del.1995)).

Discussion of changes

Section 8 of the Act amends subsection (c)(2) of section 1292 of title 28, giving district court judges discretion to certify *Markman* claim construction orders for interlocutory review. When such orders are certified, the Federal Circuit must decide the appeal.

The Committee intends to transfer the discretion from the Federal Circuit to the district court judge as to whether — and when — a claim construction order should be decided on appeal. The district court judges are in the best position to know when the evidence adduced, and the arguments marshaled by the litigants, have brought the case to a point at which a decision by the appellate court on claim construction could best promote resolution of the case. As a case management tool, the Committee is confident that the interlocutory appeal of a *Markman* decision could be both useful and effective. The district court also has the discretion to stay the case pending the appeal.

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**Sec. 8. Venue and jurisdiction**

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Subsection (b) – Interlocutory Appeals – Subsection (c)(2) of section 1292 of title 28, is amended to require the Federal Circuit to accept all interlocutory appeals of claim construction orders when certified by the district court. A party wishing to appeal such an order shall file a motion with the district court within 10 days after entry of the order. The district court shall have discretion whether to certify such appeals, and if so, whether to stay the district court proceedings during such appeal.

**PART IV - JURISDICTION AND VENUE**

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**CHAPTER 83—COURTS OF APPEALS**

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§ 1292. Interlocutory decisions

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(c) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

(1) of an appeal from an interlocutory order or decree described in subsection (a) or (b) of this section in any case over which the court would have jurisdiction of an appeal under section 1295 of this title; and

(2) of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accounting.

(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.]*

*Application for an appeal under paragraph (3) shall be made to the court within 10 days after entry of the order or decree. The district court shall have discretion whether to approve the application and, if so, whether to stay proceedings in the district court during the pendency of such appeal.*