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'Phillips': Resolving (Most) Issues on Construing Patent Claims

The U.S. Court of Appeals for the Federal Circuit's recent en banc decision in *Phillips v. AWH Corp.* — F3d —, 2005 U.S. App. LEXIS 13954 (Fed. Cir. July 12, 2005), was one of the most eagerly anticipated in its history. In it, the appeals court with jurisdiction over all patent cases nationwide was supposed to resolve several hotly debated issues regarding how district courts should construe disputed language in the claims of a patent, i.e., "claim construction."

The *Phillips* decision did so in several respects and will therefore have significant ramifications for all patent cases, whether filed in New York or any other federal court.

Proper Standard of Review?

Disappointingly, however, the long-awaited opinion failed to fulfill its promise in at least one regard. The court did not substantively address the last of the seven questions posed in its previous decision to rehear the case en banc. The court was candid about its decision to pass on the question of the proper standard of review for claim construction:

> In our order granting rehearing en banc, we asked the parties to brief various questions, including the following: "Consistent with the Supreme Court's decision in *Markman v. Westview Instruments*, 517 US 370 (1996), and our en banc decision in *Cybor Corp. v. FAS Technologies Inc.*, 138 F3d 1448 (Fed. Cir. 1998), is it appropriate for this court to accord any deference to any aspect of trial court claim construction rulings? If so, on what aspects, in what circumstances, and to what extent?" After consideration of the matter, we have decided not to address that issue at this time. We therefore leave undisturbed our prior en banc decision in *Cybor*. 2005 USApp LEXIS 13954 at *68-69; slip op. at 38.

In this article, we argue that the Federal Circuit should revisit *Cybor* substantively, and should rule that it will defer to trial court findings on the underlying fact questions within a claim construction analysis. The court should, by contrast, continue to review the trial court's legal methodology and overall conclusion de novo. This would be consistent with *Markman*, further important policies and harmonize claim construction with other areas of patent law. The following explains why.

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• ***The standard of review turns on whether an issue is legal or factual.*** Analysis of the unanswered seventh question starts with the Supreme Court's jurisprudence concerning the standard of review on appeal. Appellate courts review findings of fact for clear error, FedRCivP 52(a), and questions of law de novo. *First Options of Chicago, Inc. v. Kaplan*, 514 US 938, 948 (1995). Applying the correct standard requires distinguishing questions of "law" from "fact," and the Court has acknowledged "the vexing nature of the distinction." *Pullman-Standard v. Swint*, 456 US 273, 288 (1982). Despite struggling, the Supreme Court "has yet to arrive at a rule or principle that will unerringly distinguish a factual finding from a legal conclusion." *Miller v. Fenton*, 474 US 104, 113 (1985). But it has provided guidance.

The Federal Circuit should revisit 'Cybor' substantively, and should rule that it will defer to trial court findings on the underlying fact questions within a claim construction analysis.

The nature of the issue is important. For instance, the Court has stated that matters "of historical fact" are reviewed for clear error. *Ornelas v. United States*, 517 US 690, 699 (1996). This is true whether the fact "rest[s] on credibility determinations [or] … on physical or documentary evidence … ." *Anderson v. City of Bessemer City*, 470 US 564, 574 (1985). Likewise, "[i]t surely [is] not [a] stretch … to characterize an inquiry into what a person knew at a given point in time as a question of 'fact.'" *Bose Corp. v. Consumers Union of United States Inc.*, 466 US 485, 498 (1984). Practical considerations also help determine the standard of review. The Supreme Court looks at whether "one judicial actor"—the trial or appellate court—"is better positioned than another to decide the issue in question." *Miller*, 474 US at 114.

The 'Markman' Case

• ***'Markman' does not address deference.*** The U.S. Supreme Court's decision in *Markman v. Westview Instruments Inc.*, 517 US 370, 372 (1996), held "that the construction of a patent, including terms of art within its claim, is exclusively within the province of the court." *Markman* is the leading precedent on certain aspects of claim construction, but a close read reveals that the Court did not address the issue at hand. The Court stated repeatedly that the issue it faced was only who should construe the claims: the judge or jury. See, e.g., 517 US at 372, 377, 384, 388. *Markman* did not mention the standard of review.

But the Court did acknowledge that claim construction has factual components. Although the Court had previously allocated decision-making authority by drawing a "line between issues of fact and law," it stated that claim construction is a "mongrel practice," 517 US at 378, has "evidentiary underpinnings," id. at 390, and "'falls somewhere between a pristine legal standard and simple historical fact ….'" Id. at 388. The Court ultimately left claim construction to the judge not because claim construction is a matter of law, but because "judges, not juries, are the better suited to find the acquired meaning of patent terms." Id. at 388.

Because *Markman* did not discuss the standard of review, it does not constrain the Federal Circuit whatsoever in determining the appropriate standard of review for claim construction. But *Markman's* statements and rationale confirm that claim construction contains factual matters. As a result, according deference to findings of fact within a claim construction ruling would be consistent with *Markman*.

On the other hand, deferring to any aspects of claim construction rulings would conflict with *Cybor*, 138 F3d 1448. Sitting en banc in 1998, the Federal Circuit there held that claim construction is "a purely legal question" subject to "de novo [review] on appeal including any allegedly fact-based questions relating to claim construction." Id. at 1456. But three judges maintained that claim construction often entails factual determinations that merit deference. Id. at 1463, 1478, 1480. Judge S. Jay Plager also cautioned that it might "be some time before we have enough experience with '*Markman* hearings' and with appellate review under the new regime to draw empirically sound conclusions

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… [and] to actually see how it works." Id. at 1463.

The fact is that "some time" has passed, and *Cybor's* "new regime" has not worked as planned. As discussed below, reversal rates are high, costs are stratospheric, and uncertainty abounds. Part of the problem is that claim construction is really not an entirely legal question, and its jagged edges will not fit into a round de novo hole. Some post-*Cybor* cases in which the Federal Circuit could not construe claims and had to remand for further factual development are demonstrative. If claim construction were purely legal, the Court would not need to remand; it would be able to resolve these interpretative issues on its own.

For example, in *Kumar v. Ovonic Battery Co.*, 351 F3d 1364 (Fed. Cir. 2003), the patent claimed certain "amorphous" metal alloys. Id. at 1366. The Court examined the intrinsic evidence, dictionaries, textbooks, and prior art, but could not define "amorphous" due to ambiguities surrounding what it meant to have "long range order." Concluding that "testimony from those skilled in the art is required to establish the meaning of the term," the Federal Circuit remanded for further proceedings. Id. at 1372.

In *Neomagic Corp. v. Trident Microsystems*, 287 F3d 1062 (Fed. Cir. 2002), the Court tried to construe the term "power supply" but conceded that "on the record before us, we are unable to say with certainty whether or not one of skill in the art would understand that a power supply is designed to provide a constant voltage to a circuit." Id. at 1074. The Federal Circuit remanded for "further evidentiary hearings, including expert testimony … ." Id. See also *Pall Corp. v. PTI Technologies*, 259 F3d 1383, 1393-94 (Fed. Cir. 2001).

Acknowledging that claim construction requires fact-finding that is worthy of deference would be inconsistent with *Cybor*, but would be consistent with several post-*Cybor* cases.

• ***Leave facts to the trial court.*** The preceding shows that according deference to at least certain aspects of claim construction would not undermine *Markman*, although it would require partially overruling *Cybor*. For several reasons, the Federal Circuit should have taken that step in *Phillips*.

For starters, many questions within claim construction simply are factual. It is axiomatic that the trial judge must determine the common and ordinary meaning of any disputed claim term. *Vitronics*, 90 F3d at 1582. This requires the judge to focus on "a term's usage … amongst artisans of ordinary skill in the relevant art at the time of invention," *Genzyme Corp. v. Transkoryotic Therapies Inc.*, 346 F3d at 1094, 1098 (Fed. Cir. 2003), for "[t]he words used in the claims are examined through the viewing glass of a person skilled in the art." *Brookhill-Wilk 1, LLC v. Intuitive Surgical, Inc.*, 334 F3d 1294, 1298 (Fed. Cir. 2003). The inquiry looks to custom and usage in the field and can include dictionaries, treatises and prior art. *Genzyme*, 346 F3d at 1098; *Kumar*, 351 F3d at 1368.

Ascertaining this common and ordinary meaning—whether through testimony or documents—is an inherently factual exercise. It requires assessing the "historical fact" of what "[people] knew at a given point in time." *Ornelas*, 517 US at 699; *Bose*, 466 US at 498. Just as with "custom and usage" in contract interpretation, this is an issue on which an appellate court should defer to the trial judge's findings.

Likewise, the judge determines how claim language was used in the specification and file history. This also requires reading the intrinsic sources of evidence as one skilled in the art would read them. *Pall Corp.*, 259 F3d at 1393-94; *O.I. Corp. v. Tekmar Co.*, 115 F3d 1576, 1581 (Fed. Cir. 1997). This is again a factual task requiring the judge to put herself in the shoes of a particular artisan from a particular time. Failure to make a finding on this led the Federal Circuit to remand in *Pall Corp.* so that the lower court could consider further evidence. 259 F3d at 1393-94. If the issue were really legal, the Court could have figured it out on its own.

Similarly, whether the applicant disavowed subject matter or acted as his own lexicographer are also matters of historical fact. The judge must assess what was said in the specification and file history, and whether one of skill would have viewed the patentee's statements as a surrender or special definition. *Pall Corp.*, 259 F3d at 1393-94; *In re Paulsen*, 30 F3d 1475, 1480 (Fed. Cir. 1994).

Deferring on these types of findings would not require the Federal Circuit to relinquish all authority to review claim construction de novo, or to completely overrule *Cybor*. The Court would still not defer on methodology. For example, deference would be inappropriate if the judge: (a) limited a claim term to a preferred embodiment just because that was the only embodiment described; (b) restricted a claim based on statements in the specification without "point[ing] to [language] in the claim with which to draw in those statements," *Renishaw PLC v. Marposs Societa' per Azioni*, 158 F3d 1243, 1248 (Fed. Cir. 1998); or (c) construed a claim differently for invalidity and infringement purposes. The Federal Circuit would also retain plenary review over the ultimate conclusion on claim construction.

But on the facts the trial court finds in reaching that conclusion, the Federal Circuit should defer.

The Supreme Court in *Markman* also looked to "functional considerations" in assessing who should construe the claims. *Markman*, 517 US at 388. These considerations cut towards granting deference to trial court findings of fact. Just as the trial court is better suited than the jury to construe claims, it also has an arsenal of tools that an appellate tribunal lacks. The trial judge can spend days in "*Markman* hearings" and "technology tutorials." In either setting, the judge can hear testimony and order additional submissions or discovery. The Federal Circuit must rely on appeal briefs, the record, and a short oral argument. The trial judge is "better positioned" to assess the facts underlying claim construction, *Miller*, 474 US at 114, which Judge Randall R. Rader recently underscored in *Merck & Co., Inc. v. Teva Pharmaceuticals USA, Inc.*, 395 F3d 1364, 1380-81 (Fed. Cir. 2005).

Deference would also reduce uncertainty and costs. In *Cybor*, Judge Rader cited a study indicating that the Federal Circuit had reversed in whole or part almost 40 percent of claim constructions since *Markman*. He explained that such a high reversal rate leads to uncertainty and forces parties to litigate through to appeal "[t]o get a certain claim interpretation." Until then, "[t]he meaning of a claim is not certain (and the parties are not prepared to settle) …." 138 F3d at 1476. Recent studies suggest that *Cybor* has not improved matters. One shows that, from April 1995 to 2000, the Federal Circuit overturned 40 percent of claim constructions. Bender, "Uncertainty and Unpredictability in Patent Litigation," 8 J. INTELL. PROP. L. 175, 203-07 (2001). Another shows a 41.5 percent reversal rate for 2001. Zidel, "Patent Claim Construction in the Trial Court," 33 SETON HALL L.R. 711, 745-46 (2003).

Deferring on findings of fact would reduce the costs and uncertainty that such high reversal rates breed. If the Federal Circuit deferred on the facts underlying claim construction, litigants would have greater confidence that judges' rulings would not be overturned. They would be better able to assess how their cases will end without litigating through appeal, and be more likely to settle. Patentees, their competitors, the public, and the judiciary would all benefit.

Opportunity Bypassed

The Court in the new *Phillips* case had a chance to take steps towards ameliorating these problems. Unfortunately, the Court let this opportunity pass.

Finally, according deference to underlying fact questions, while reviewing the ultimate conclusion de novo, is something the Federal Circuit already does, thus harmonizing claim construction with other areas. For instance, "the ultimate determination of obviousness [is reviewed] de novo, while the underlying factual inquiries are reviewed for clear error." *Ruiz v. A.B. Chance Co.*, 234 F3d 654, 663 (Fed. Cir. 2000). The Court also reviews the conclusion on enablement de novo, but defers on the underlying findings of fact. *Union Pacific Resources v. Chesapeake Energy*, 236 F3d 684, 690 (Fed. Cir. 2001). Adopting the authors' approach would harmonize the standard of review on claim construction with the standard of review on obviousness and enablement. These areas are all based on underlying facts, and the Federal Circuit should treat them uniformly. The Court will hopefully take its next opportunity to revisit *Cybor* on the merits.