Summary

On February 21, 2014, the Federal Circuit, sitting *en banc* in *Lighting Ballast v. Philips Elecs. Co.*, affirmed the *de novo* standard of review for patent claim construction on appeal. This standard, originally set forth in *Cybor Corp. v. FAS Techs.*, 15 years ago, allows an appeals court to review claim construction decisions without deference to the decision of the trial court. The majority of the Court based its decision on *stare decisis* - the adherence to precedent established by prior decisions to promote consistency and uniformity. The dissent, however, countered that the principles of *stare decisis* did not justify retaining the Cybor rule and that *de novo* review is an inappropriate standard of review for claim construction. Given the divide of the Court and the importance of the decision, the patent holder will likely petition the Supreme Court for review.

Analysis

I. The “Mongrel Practice” of Claim Construction

Claim construction hearings, also known as “*Markman*” hearings, are proceedings where the court interprets the meaning of patent claims. The outcome of a *Markman* hearing can shape the rest of a patent litigation proceeding.

The Supreme Court has characterized claim construction as a “mongrel practice” of law and fact with “evidentiary underpinnings.” As such, analyzing the meaning and scope of the claims often requires the court to examine factual evidence, such as dictionary definitions and expert witness testimony. Despite this reliance on factual evidence the Supreme Court determined that “the interpretation of a...patent claim...is a matter of law reserved entirely for the court.” On appeal, a question of law may be reviewed *de novo* (literally, “anew”) without granting deference to the findings of the court below. Findings of fact, in contrast, are not to be set aside by an appellate court unless they are “clearly erroneous” according to Rule 52(a)(6) of the Federal Rules of Civil Procedure.

In *Cybor*, the Federal Circuit construed the Supreme Court’s characterization of claim construction to allow the appeals court to apply the *de novo* standard of review to claim construction on the grounds that claim construction is a matter of law. During appeal, therefore, the Federal Circuit does not need to defer to the findings of the district court and may interpret the meaning and scope of the claims anew.
II. Claim Construction Review: Workability and Consistency

In *Lighting Ballast*, the patent holder sued the defendants for infringement of its patent. The defendants countered by asserting that a number of the claims were indefinite. The district court disagreed with the defendants and interpreted the claims to be valid and infringed. On appeal, however, the Federal Circuit reviewed the claims *de novo* and found them invalid. The patent holder petitioned for a rehearing *en banc* (before all the judges on the Federal Circuit) stating that *de novo* review is inappropriate and the claims should be found valid. See [Federal Circuit to Reconsider 15-Year Claim Construction Position: Patent Holders and Their Counsel on Watch](#). The Federal Circuit granted the petition last March, and invited interested parties (*amici curiae*, “friends of the court”) to file supporting briefs.

The opinion described three proposed views regarding claim construction review taken from the parties and the amici briefs:

The first view states that *Cybor* was incorrectly decided and that claim construction has an essentially factual nature. Under this view, the findings of the district court should be given complete deference and reviewed under the standard of Rule 52(a)(6) - that is, only when the evidence is “clearly erroneous.”

Under the second view, favored by many *amici* as well as the United States Patent and Trademark Office, claim construction is a hybrid analysis of law and fact, which would require a mixture of deference of factual findings and *de novo* review of matters of law. Proponents of this view suggest that the standard of review could change depending on the type of factual evidence.

The third view, favored by high technology companies such as Amazon, Microsoft, and Google, states that *Cybor* is correct, that claim construction is a “purely legal matter,” and should be reviewed *de novo*. Additionally, the proponents of the third view note that sufficient reason has not been shown to change this 15-year precedent in patent cases.

The Court agreed with the third view and stated that “the values of *stare decisis* counsel against overturning *Cybor*.” The Court found no reason in the 15 years since *Cybor* to support overturning it, nor did the Court find evidence that the *Cybor* rule was ultimately unworkable. In fact, the Court stated, attempting to parse out factual aspects from legal aspects, as suggested by the second view, would create an unworkable task. Further, the Court noted that major technology companies, “all involved with the system of patents, all frequent patent litigants both as plaintiffs and as defendants,” endorsed the *Cybor* standard. The Court concluded by citing a recent article that notes a decline in the reversal of claim construction rulings on appeal which, to the Court, indicated a workable system.

The dissent, however, argued that the Court should instead aim to be consistent with Rule 52(a)(6). Specifically, the dissent stressed that *stare decisis* is not appropriate in this instance, and that reversing *Cybor* would not upset “settled expectations.” Further, the dissent asserted that *Cybor* was incorrect when it was decided and, as evidenced by the number of *amici curiae* supporting the second view, many members of the community agree. It also noted that two judges in favor of the majority decision were among the “harshest critics of *Cybor* - contending on multiple, and even recent, occasions that it was poorly reasoned, impractical, and should be reversed,” yet still voted against overturning *Cybor*. 
III. Where Do We Go From Here?

Overall, the Court was split almost evenly, at 6-4 (two judges did not participate), and given the importance of the subject matter of the case, it is likely that the patent holder will seek Supreme Court review. For now, patent litigators should continue to preserve claim construction arguments for appeal, and parties drafting claims should continue to carefully define their terms and avoid ambiguity. Finally, continue to watch this case -- if the Supreme Court grants review, the standard of review for claim construction could become “clearly erroneous,” a much higher threshold to overcome, which would diminish the number of claim construction claims that are heard on appeal.

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