No. 13-854

In the
Supreme Court of the United States

TEVA PHARMACEUTICALS USA, INC., TEVA PHARMACEUTICAL INDUSTRIES LTD., TEVA NEUROSCIENCE, INC. AND YEDA RESEARCH AND DEVELOPMENT CO., LTD.,
Petitioners,

v.

SANDOZ INC., MOMENTA PHARMACEUTICALS, INC., MYLAN PHARMACEUTICALS INC., MYLAN INC. AND NATCO PHARMA LTD.,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* SUPPORTING NEITHER PARTY

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QUESTION PRESENTED

Rule 52(a) of the Federal Rules of Civil Procedure provides that in matters tried to a district court, the court's "[f]indings of fact . . . must not be set aside unless clearly erroneous."

The question presented is as follows:

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 did in this case), or only for clear error, as Federal Rule of Civil Procedure 52(a) requires.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

CASES

RULES

OTHER AUTHORITIES

STATEMENT OF INTEREST[1]

The American Bar Association ("ABA") respectfully submits this brief in support of neither party. The ABA urges this Court to hold: (i) that the Federal Circuit should review findings of fact made during claim construction under the clearly erroneous standard, pursuant to Federal Rule of Civil Procedure 52(a)(6), and (ii) that any Federal Circuit precedent providing for *de novo* review of factual findings underlying claim construction, including the *en banc* Federal Circuit decisions in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) ("*Cybor*"), and *Lighting Ballast Control LLC v. Philips Electronics North America Corp.*, 744 F.3d 1272 (Fed. Cir. 2014) ("*Lighting Ballast*"), should be overruled.

The ABA is the leading national organization of the legal profession, with nearly 400,000 members from all 50 states, the District of Columbia and the U.S. territories. Membership is voluntary and includes attorneys in private practice, government service, corporate law departments and public interest organizations. ABA members comprise judges, legislators, law professors, law students and non-lawyer

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[1] Pursuant to Rule 37.6, *amicus curiae* certifies that no counsel for a party authored this brief in whole or in part and that no person or entity, other than *amicus*, its members or its counsel, has made a monetary contribution to the preparation or submission of this brief. Sup. Ct. R. 37.6. The Mylan and Natco Respondents' blanket consent to the filing of *amicus* briefs is on file with the Clerk of the Court. Letters of consent from Petitioners and the Sandoz and Momenta Respondents accompany this brief.

"associates" in related fields, and represent the full spectrum of public and private litigants.[2]

The ABA Section of Intellectual Property Law ("IPL Section"), which was established in 1894, is now the world's largest organization of intellectual property professionals. The IPL Section has approximately 25,000 members, including attorneys who represent patent owners, accused infringers, individual inventors, large and small corporations and universities and research institutions across a wide range of technologies and industries. The IPL Section works to promote the development and improvement of intellectual property law and takes an active role in addressing proposed legislation, administrative rule changes and international initiatives regarding intellectual property. It also develops and presents resolutions to the ABA House of Delegates for adoption as ABA policy to help foster necessary changes to the law.[3] These policies provide a basis for the preparation of

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[2] Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

[3] Only the recommendations adopted by a vote of the ABA's House of Delegates (but not their accompanying reports) become ABA policy. The House of Delegates is composed of 560 delegates representing states and territories, state and local bar associations, affiliated organizations, sections and divisions, ABA members and the Attorney General of the United States, among others. *See* ABA, *House of Delegates - General Information*, http://www.americanbar.org/groups/leadership/delegates.html (last visited June 19, 2014).

ABA *amicus curiae* briefs, which are filed primarily in this Court and the United States Court of Appeals for the Federal Circuit.[4]

Through their collaborative process, the diverse members of the IPL Section have developed a consensus position on the appropriate standard of appellate review for district court findings of fact during claim construction. This position was presented to the ABA House of Delegates as Resolution #302 and adopted as ABA policy in August 2004.[5] This policy, which has been the basis of several prior ABA *amicus* briefs,[6] supports appellate review of the ultimate claim construction *de novo*, but urges that any underlying findings of fact made in connection with construing a claim term be reviewed under the clearly erroneous standard.

The ABA takes no position on which party should prevail in the present case. However, based on its members' considerable experience with the effects of the Federal Circuit's current *de novo*

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[4] *See* ABA, *Amicus Curiae Briefs*, http://www.americanbar.org/amicus/1998-present.html (last visited June 19, 2014).

[5] Resolution No. 302, without its attendant Report, accompanies this brief.

[6] The ABA has previously filed *amicus* briefs on this subject in support of the petition for *certiorari* filed in *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039 (Fed. Cir. 2006), *cert. denied*, 550 U.S. 953 (2007), and in support of neither party in the Federal Circuit *en banc* decisions in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), and *Lighting Ballast Control LLC v. Philips Electronics North America Corp.*, 744 F.3d 1272 (Fed. Cir. 2014).

standard on businesses and individuals across a wide range of technologies and industries, the ABA believes that its insights may be of assistance to this Court.

SUMMARY OF ARGUMENT

The ABA urges this Court to hold that factual findings made in support of a district court's claim construction be reviewed only for clear error, as prescribed by Federal Rule of Civil Procedure 52(a)(6). The ABA also respectfully requests that this Court overrule any contrary Federal Circuit precedent requiring *de novo* review of factual findings made during claim construction, including the *en banc* decisions in *Cybor* and *Lighting Ballast*.

1. The Federal Circuit's *de novo* standard of review for the factual matters underlying claim construction stems from the majorities' holdings in *Cybor* and *Lighting Ballast* that claim construction is a purely legal matter. This Court, however, has previously classified claim construction as a mixed question of fact and law. Moreover, the evaluation of intrinsic and extrinsic evidence by district courts during claim construction necessarily involves the determination of issues of fact. These include determining the level of skill in the art, evaluating the patent specification and prosecution history and assessing the value of any expert testimony. The hybrid nature of claim construction thus demands a hybrid standard of review: a *de novo* assessment of the ultimate claim construction, and clear error review for the factual matters underlying this determination.

2. Neither the *Cybor* nor *Lighting Ballast* majorities have attempted to square *de*

novo review with Federal Rule of Civil Procedure 52(a)(6), which states that "[f]indings of fact . . . must not be set aside unless clearly erroneous." Fed. R. Civ. P. 52(a)(6). This Court has noted that Rule 52(a) applies to all factual findings in actions tried before a judge. It has also explained that factual findings underlying other mixed issues of patent law, *e.g.*, obviousness, should be reviewed for clear error pursuant to Rule 52(a)(6). The departure from the "clear error" standard in the claim construction context should thus be corrected.

3. *De novo* appellate review of factual findings ignores the proper role of district courts, which are best positioned to make findings of fact during claim construction. Applying a *de novo* standard of review undermines confidence in trial court *Markman* rulings. It also often results in overruling a district court construction that is based on first-hand access to witnesses and other evidence, in favor of an appellate interpretation of patent claims based solely on the written record. Clear error review pursuant to Rule 52(a) would therefore reestablish the traditional role of the trial court as a finder of fact.

The rule espoused in *Cybor* and *Lighting Ballast* has led to high reversal rates for district court claim construction rulings at the Federal Circuit. The resulting unpredictability regarding appellate outcomes has left the patent community lacking in guidance as to how patent claims should be drafted, interpreted and litigated. In addition, the increased uncertainty that has resulted from *de novo* review has led to longer and more costly lawsuits and has discouraged settlement. By increasing predictability, clear error review of district court factual findings would alleviate these problems.

ARGUMENT

I. Claim Construction Involves Numerous Underlying Findings of Fact

In *Markman v. Westview Instruments, Inc.*, this Court explained that claim construction is a mixed issue, "somewhere between a pristine legal standard and a simple historical fact." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996). Because claim construction is a "mongrel practice" with "evidentiary underpinnings," this Court has never viewed it as anything but a mixed question of fact and law. *Id.* at 378, 390; *see also Gasperini v. Ctr. for Humanities, Inc.*, 518 U.S. 415, 443 (1996) (Stevens, J., dissenting) (characterizing *Markman* as an opinion about a mixed issue of law and fact).

Notwithstanding this Court's teachings, the Federal Circuit in *Cybor* held that claim construction is "purely [a] legal question." *Cybor*, 138 F.3d at 1456. Nearly two decades later, the *en banc* Federal Circuit reconsidered and reaffirmed this holding. *See Lighting Ballast*, 744 F.3d at 1284 ("Claim construction is a legal statement of the scope of the patent right . . . ."). In these cases, the Federal Circuit reasoned that claim construction does not turn on an assessment of extrinsic evidence or witness credibility, but is instead determined by interpretation of "the patent documents" as a matter of law. *Id.* at 1284; *see also Cybor,* 138 F.3d at 1454. Even within the Federal Circuit, however, this basic premise has been a long-standing source of disagreement. *See, e.g., Phillips v. AWH Corp.*, 415 F.3d 1303, 1330-34 (Fed. Cir. 2005) (Mayer, J., dissenting) ("Now more than ever I am convinced of the futility, indeed the absurdity, of this court's persistence in adhering to

the falsehood that claim construction is a matter of law devoid of any factual component . . . . We should abandon this unsound course."); *Cybor*, 138 F.3d at 1475 (Rader, J., dissenting) (by claiming district courts do not rely upon extrinsic evidence in making claim construction determinations, the Federal Circuit "'knowingly enters a land of sophistry and fiction'" (citation omitted)); *see also Amgen, Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039, 1040 (Fed. Cir. 2006) (Michel, C.J., dissenting from denial of rehearing *en banc*) ("[I]n light of our eight years of experience with [the] application" of the *Cybor* rule of *de novo* review, "I have come to believe that reconsideration is appropriate and revision may be advisable.").

Indeed, claim construction necessarily involves many subsidiary factual determinations, even without the consideration of extrinsic evidence. For instance, claim construction first requires a court to determine the date and field of the invention in light of the evidence presented. *See, e.g.*, *Seal-Flex, Inc. v. Athletic Track & Court Constr.*, 98 F.3d 1318, 1324 (Fed. Cir. 1996) ("The trier of fact must determine whether the invention was completed . . . or whether the inventor was continuing to develop and evaluate the invention . . . . When these material facts are at issue, summary disposition is negated."); *see also Lighting Ballast*, 744 F.3d at 1306, 1316 (O'Malley, J., dissenting). It also requires the district court to weigh evidence and make a record of various other threshold assessments, including the state of the art, who qualifies as a person of ordinary skill in the art and how such a person would understand the claims in question. *See* ABA, IPL Section, *A Section White Paper: Agenda for 21st Century Patent Reform* at 43-44 (2010) (listing the facts

underlying claim construction).[7] In addition, claim construction demands a number of factual determinations when parsing "the patent documents," such as analyzing the specification to determine whether it contains embodiments, definitions or references relevant to the claim term, and assessing whether the patent's disclosure affects the plain meaning of the claims. *See United States v. Adams*, 383 U.S. 39, 49 (1966) ("[I]t is fundamental that claims are to be construed in light of the specifications."); *see also CCS Fitness, Inc. v. Brunswick Corp.*, 288 F.3d 1359, 1366 (Fed. Cir. 2002) ("[T]he claim term will not receive its ordinary meaning if the patentee acted as his own lexicographer."). Factual determinations are also required to assess whether the patent owner

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[7] *Available at* http://www.americanbar.org/content/dam/aba/administrative/intellectual_property_law/advocacy/white_paper_sept_2010_revision.authcheckdam.pdf. Although not presented to the ABA House of Delegates for adoption as ABA policy, this White Paper sets out the IPL Section's views on patent law reform issues. In it, the Section recommends that at least the following questions should be characterized as findings of fact related to claim construction: (i) who qualifies as a person of ordinary skill in the art; (ii) what was the state of the art at the time of the invention (the scope and content of the prior art); (iii) the differences between the prior art and the claims at issue; (iv) how a person of ordinary skill in the art would understand a claim term; (v) how a claim term is used in the written description portion of the specification of the patent; (vi) how a claim term is used in the prosecution history of the patent (how one of ordinary skill in the art would understand statements made by the applicant during prosecution); (vii) how a claim term is used in the prior art; (viii) what relevant texts, including dictionaries and treatises, say about the meaning of the claim term; and (ix) what experts in the art say about the meaning of a claim term. *Id.* at 34.

disclaimed any claim scope during prosecution and to determine the differences between the prior art and the claimed invention.[8] *See Omega Eng'g, Inc. v. Raytek Corp.*, 334 F.3d 1314, 1324 (Fed. Cir. 2003) ("[P]rosecution disclaimer . . . narrows the ordinary meaning of the claim congruent with the scope of the surrender."). This Court has made clear that such preliminary determinations are "matter[s] of fact." *See Great N. Ry. Co. v. Merchs' Elevator Co.*, 259 U.S. 285, 291-92 (1922) (noting that the construction of a contract is a matter of law with a number of underlying factual inquiries); *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17 (1966) ("While the ultimate question of . . . validity is one of law," obviousness "lends itself to several basic factual inquiries.").

When extrinsic evidence is considered in claim construction determinations, trial courts are tasked with further fact-finding duties. First, courts must perform a gatekeeping role, assessing whether extrinsic evidence such as dictionaries, treatises or expert testimony would assist in the interpretation of the claim term.[9] *See, e.g.*,

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[8] In this case, the district court engaged in such factual inquiries when construing the term "molecular weight." *See Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 723 F.3d 1363 (Fed. Cir. 2013), *cert. granted*, 134 S. Ct. 1761 (2014). Specifically, the district court determined the field of the invention and defined the level of ordinary skill in the art. *Id.* at 1367-70. The court also considered whether the specification provided evidence in favor of a particular construction of the claim phrase at issue and weighed allegations that the patent owner made inconsistent statements during prosecution. *Id.*

[9] The district court in this case relied upon the testimony of Petitioners' expert, Dr. Grant, in making its determination. *Teva Pharms.*, 723 F.3d at 1369-71.

Neomagic Corp. v. Trident Microsystems, Inc., 287 F.3d 1062, 1074 (Fed. Cir. 2002) ("[O]n the record before us . . . we think that this [claim construction] matter can only be resolved by further evidentiary hearings, including expert testimony."). If such extrinsic evidence is admitted, courts must assess its weight, determine witnesses' (including expert witnesses') credibility and balance controverting evidence. *See Lighting Ballast*, 744 F.3d at 1316 (O'Malley, J., dissenting).

Moreover, claim construction hearings often involve the development of a detailed factual record, including the receipt of live testimony. *Markman* proceedings—roughly equivalent to a bench trial on a specific issue—are often held "live . . . with argument and testimony, sometimes covering several days." *Retractable Techs., Inc. v. Becton, Dickinson & Co.*, 659 F.3d 1369, 1374 (Fed. Cir. 2011) (O'Malley, J., dissenting from denial of rehearing *en banc*). By providing a forum for "weighing all the [intrinsic and extrinsic] evidence bearing on claim construction . . . and assess[ing it] accordingly," *Phillips*, 415 F.3d at 1319, *Markman* hearings provide the basis for the factual findings that necessarily underpin a district court's claim construction.

II. Pursuant to Federal Rule of Civil Procedure 52(a)(6), Findings of Fact Must Not Be Set Aside Unless Clearly Erroneous

Pursuant to Federal Rule of Civil Procedure 52(a)(6), a district court's "[f]indings of fact" cannot be overturned on appeal unless they are deemed "clearly erroneous." Fed. R. Civ. P. 52(a)(6). Rule 52 applies to appellate review of *any* findings of fact made without a jury, regardless of the kind of

proceeding or the type of evidence involved. *See, e.g.*, *United States v. U.S. Gypsum Co.*, 333 U.S. 364, 394-95 (1948) (Rule 52(a) applies to "all actions tried upon the facts without a jury."); *Pullman-Standard v. Swint*, 456 U.S. 273, 287 (1982) (Rule 52(a) "does not make exceptions or purport to exclude certain categories of factual findings."); *see also Bose Corp. v. Consumers Union of U.S., Inc.*, 466 U.S. 485, 498 (1984) (reiterating that Rule 52(a) "means what it says"). In patent cases, the underlying factual determinations made during claim construction should therefore be reviewed under a "clearly erroneous" standard. *See* Lauren Maida, *Patent Claim Construction: It's Not A Pure Matter of Law, So Why Isn't the Federal Circuit Giving District Courts the Deference They Deserve?*, 30 Cardozo L. Rev. 1773, 1803 (2009) ("Rule 52(a) is an appropriate standard [for factual findings underlying claim construction] because it would ensure that the district court is the first and only trial court.").

Notably, neither *Cybor* nor *Lighting Ballast* grapples with the impact of Rule 52(a). Instead, both opinions characterize claim construction as a purely legal question. As this Court noted in *Markman*, however, claim construction is a mixed issue of law and fact. *Markman*, 517 U.S. at 388. As a hybrid inquiry, claim construction therefore demands a hybrid standard of review: Rule 52(a)'s deferential "clear error" assessment for underlying findings of fact, and *de novo* review for the ultimate issue of claim construction. This tiered review comports with this Court's precedent, which routinely asks appellate courts to distinguish between findings of fact and conclusions of law, and apply a different standard of review to each, on appeal. *See, e.g.*, *Cooper Indus., Inc. v. Leatherman Tool Grp., Inc.*, 532 U.S. 424, 440 n.14 (2001)

(holding that application of the *Gore* test for punitive damages is reviewed *de novo* but noting that the "Court of Appeals should defer to the District Court's findings of fact unless they are clearly erroneous"); *Ornelas v. United States*, 517 U.S. 690, 699 (1996) (holding that "determinations of reasonable suspicion and probable cause should be reviewed *de novo* on appeal," but "findings of historical fact [should] only [be reviewed] for clear error").

This Court's obviousness precedent further supports "clear error" review for findings of fact made during claim construction. In *Graham v. John Deere Co. of Kansas City*, this Court noted that "[w]hile the ultimate question of . . . validity is one of law," obviousness "lends itself to several basic factual inquiries." 383 U.S. at 17. The factual questions this Court identified bear a striking resemblance to the factual questions underlying claim construction, and include: (i) the level of skill in the art, (ii) the scope and content of the prior art and (iii) differences between the prior art and the claims at issue. *See id.* In an obviousness inquiry, these underlying factual determinations are subject to Rule 52(a). *See Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 811 (1986) (per curiam). Those same factual findings should likewise be subject to "clear error" review in the claim construction context.

III. Public and Judicial Policy Considerations Demand Deference to a District Court's Findings of Fact

When the subsection "Setting Aside Factual Findings" was added to Rule 52(a), the drafters of the rule were careful to counsel against *de novo* review of findings of fact:

> [T]he public interest in . . . stability and judicial economy . . . would be promoted by recognizing that the trial court, not the appellate tribunal, should be the finder of . . . facts. To permit courts of appeals to share more actively in the fact-finding function would tend to undermine the legitimacy of the district courts in the eyes of litigants, multiply appeals by encouraging appellate retrial of some factual issues, and needlessly reallocate judicial authority.

Fed. R. Civ. P. 52(a) advisory committee's note (1985 amendment). By rejecting clear error review, the Federal Circuit's decisions in *Cybor* and *Lighting Ballast* have resulted in a reversal of the traditional allocation of labor between trial and appellate courts, a high reversal rate and resulting lack of predictability at the Federal Circuit and longer and more costly litigations. *See* J. Jonas Anderson & Peter S. Menell, *Informal Deference: A Historical, Empirical, and Normative Analysis of Patent Claim Construction*, 108 Nw. U. L. Rev. 1, 70 (2014) ("The private and social costs of the de novo standard of review . . . manifest in various ways: lower quality decision-making at both the trial and appellate levels, higher costs of litigation . . . greater uncertainty . . . longer case pendency and . . . fewer and delayed settlements." (footnote omitted)); *see also Cybor*, 138 F.3d at 1473-78 (Rader, J., dissenting); *Amgen*, 469 F.3d at 1040 (Michel, C.J., dissenting from denial of rehearing *en banc*). Both decisions should be overruled.

A. District Courts Are Better Positioned to Make Findings of Fact

District courts are better equipped to make findings of fact, and those findings should receive deference on appeal. *See Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 402 (1990) ("Familiar with the issues and the litigants, the district court is better situated than the court of appeals to marshal the pertinent facts and apply the fact-dependent legal standard."); *Salve Regina Coll. v. Russell*, 499 U.S. 225, 233 (1991) ("[D]eferential review of mixed questions of law and fact is warranted when it appears the district court is 'better positioned' . . . to decide the issue." (citation omitted)). The factual findings underlying claim construction are no exception.

"In addition to compromising the care and logic that comes from building a factual record and preparing a reasoned opinion . . . . de novo review [requires] an independent review of an anemic record—typically limited to the intrinsic evidence." Anderson & Menell, *Informal Deference*, *supra*, at 69. Indeed, when examining the meaning of a claim, "[t]he district court has the opportunity to see and hear . . . testimony first hand, along with the accompanying gestures, exhibits, charts, and models. This gives the district court a better opportunity to grasp the nature of the invention." Maida, *Patent Claim Construction*, *supra*, at 1797 (footnote omitted); *see also Cybor*, 138 F.3d at 1477 (Rader, J., dissenting) (The "[t]rial judge[] can spend hundreds of hours reading and rereading all kinds of source material, receiving tutorials . . . formally questioning technical experts . . . and deliberating over the claim language."). "[T]he trial court is [therefore] *better*, that is, more accurate, by way of both position and practice, at finding facts

than appellate judges." *Phillips*, 415 F.3d at 1334 (Mayer, J., dissenting) (emphasis in original); *see also Cybor*, 138 F.3d at 1478 (Rader, J., dissenting) (Appellate judges must rely on the "sterile written record" that "can never convey all the nuances and intangibles of the decisional process."); *Lighting Ballast*, 744 F.3d at 1311 (O'Malley, J., dissenting) (*De novo* review "'deprives th[is] court, and the parties, of the accumulated progress and experience of the trial [judge] . . . and leaves us . . . with an expurgated record and generally inferior basis of decision.'" (citation omitted)).

Moreover, abandoning *de novo* review of district court fact-finding poses little risk of disrupting national uniformity in claim construction, as the Federal Circuit has suggested. *See Cybor*, 138 F.3d at 1455 (arguing that *de novo* review will "provid[e] national uniformity to the construction of . . . patent claim[s]"). "[T]he claim construction issues presented in patent cases are mostly fact and case specific," and "will provide little guidance on the words used in different patents." *Lighting Ballast*, 744 F.3d at 1314 (O'Malley, J., dissenting); *see also* 6-18B Donald S. Chisum, *Chisum on Patents* § 18.07[1] at 18-1188 (2014) ("Court decisions interpreting and applying language in particular patent claims cannot create controlling precedent for the interpretation and application of other patents' claims to varying products and processes . . . ."). Moreover, even when the same patent is litigated in multiple jurisdictions, district courts have an array of tools, including consolidation, transfer, schedule coordination or even stays, to help avoid inconsistent rulings. Deferring on factual questions to district court determinations thus should not affect the goal of greater national uniformity.

B. *De Novo* Review Has Led to a Lack of Predictability on Appeal

De novo review has also had another deleterious impact: a consistently high reversal rate for district court claim construction decisions at the Federal Circuit. By some estimates, this rate has ranged anywhere from 30-50%. *See* Jay P. Kesan & Gwendolyn G. Ball, *Judicial Experience and the Efficiency and Accuracy of Patent Adjudication: An Empirical Analysis of the Case for a Specialized Patent Trial Court*, 24 Harv. J.L. & Tech. 393, 434 (2011) (citing claim construction reversal rates between 40-50%); Maida, *Patent Claim Construction*, *supra*, at 1773 ("The rate of Federal Circuit reversals of district court claim constructions is as high as fifty percent."); David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 Mich. L. Rev. 223, 240 (2008) (citing a 38.8% rate for "cases with at least 1 wrongly construed term").[10] Indeed, even after the Federal Circuit's *en banc* decision in *Phillips v. AWH Corp.* in 2005, which provided a clearer framework for appellate review of claim construction and led to fewer reversals overall, the reversal rate has remained notably high, particularly when compared to other areas of federal practice. *See, e.g.*, Anderson & Menell,

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[10] *See also* Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 Lewis & Clark L. Rev. 231, 233, 236 (2005) (citing a 34.5% reversal rate); Christian A. Chu, *Empirical Analysis of the Federal Circuit's Claim Construction Trends*, 16 Berkeley Tech. L.J. 1075, 1112 (2001) (citing a reversal rate as high as 51% for summary judgment decisions on claim construction).

Informal Deference, *supra*, at 6 (noting that "[t]he reversal rate on a per-case basis" after *Phillips* is 31.6%); Ted Sichelman, *Myths of (Un)Certainty at the Federal Circuit*, 43 Loy. L.A. L. Rev. 1161, 1174 (2010) ("[O]n an issue-by-issue basis, the Federal Circuit reverses lower court claim construction rulings much more than most other issues.").

This high rate of reversal has also created a perception among litigants that claim construction is often dependent on the particular panel a litigant receives. *See* Donald R. Dunner, *A Retrospective of the Federal Circuit's First 25 Years*, 17 Fed. Cir. B.J. 127, 130 (2008) (noting many believe "that Federal Circuit predictability is not what it should be and that its decisions are often panel-dependent and result-oriented"); R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. Pa. L. Rev. 1105, 1112 (2004) ("Our findings . . . indicate that claim construction at the Federal Circuit is panel dependent."); *see also Retractable Techs.*, 659 F.3d at 1370 (Moore, J., dissenting from denial of rehearing *en banc*) ("Commentators have observed that claim construction appeals . . . lead[] to frustrating and unpredictable results."); Kesan & Ball, *Judicial Experience*, *supra*, at 413 (noting that "the composition of the panel hearing the case can have an impact on the decision"). Increasing the level of deference afforded to district courts' factual findings would alleviate these concerns by focusing Federal Circuit review on the legal aspects of claim construction, and allowing the Court of Appeals to provide "practical guidance [to patent drafters and litigants] regarding how [a] claim construction dispute might be resolved." *Lighting Ballast*, 744 F.3d at 1302 (O'Malley, J., dissenting).

C. *De Novo* Review Has Increased the Length and Cost of Patent Litigation

Under *Cybor*, "'the trial court's . . . claim interpretation provides no . . . certainty at all, but only opens [up] the bidding.'" *Lighting Ballast*, 744 F.3d at 1313 (O'Malley, J., dissenting) (citation omitted). In fact, under the current system of *de novo* review:

> To get a certain claim interpretation, parties must go past the district court's *Markman* . . . proceeding, past the entirety of discovery, past the entire trial on the merits, past post trial motions, past briefing and argument to the Federal Circuit—indeed past every step in the entire course of federal litigation, except Supreme Court review.

Cybor, 138 F.3d at 1476 (Rader, J., dissenting). Indeed, as noted above, by some estimates, in 30-50% of cases, even Federal Circuit review has not ended the story. In those cases, the Court of Appeal's reinterpretation of the claims typically leads to a remand for new proceedings, which can involve further discovery, renewed motion practice and a new trial. *See* Maida, *Patent Claim Construction*, *supra*, at 1784 (a *de novo* standard can lead to duplicative proceedings, and often "requires a second trial on the issue of infringement"); *see also, e.g., AFG Indus., Inc. v. Cardinal IG Co.*, 375 F.3d 1367, 1374-75 (Fed. Cir. 2004) (Newman, J., dissenting) (remanding "for the third time on . . . claim construction").

This tortuous system upsets the parties' *ex ante* expectations of predictability in the enforcement of patents, "and undo[es] a tremendous amount of . . . work in the process." *Lighting Ballast*, 744 F.3d at 1310 (O'Malley, J., dissenting); *see also* Maida, *Patent Claim Construction*, *supra*, at 1792-93 ("[S]ome suggest that perhaps [district] judges should not even bother to 'waste their limited resources' on a thorough claim construction analysis." (citation omitted)). Moreover, by postponing certainty until the end of the litigation process, *de novo* review "creates greater incentives for losing parties to appeal, thus discouraging settlements." *Lighting Ballast*, 744 F.3d at 1313 (O'Malley, J., dissenting); *See also* Chu, *Empirical Analysis of the Federal Circuit's Claim Construction Trends*, *supra*, at 1120 (*de novo* review means parties have every incentive to appeal and no incentive to settle, regardless of the outcome at trial). These delays necessarily increase the length and cost of litigation, and require businesses to operate in uncertainty for longer periods of time. *See* Maida, *Patent Claim Construction*, *supra*, at 1798 (calling *de novo* review "an economically costly standard"); Schwartz, *Practice Makes Perfect? supra*, at 226 ("Unpredictability [in appellate review of claim construction] . . . raises legal costs.")

With the Federal Circuit becoming "the real center stage," *de novo* review also alters the behavior of trial counsel. *Cybor*, 138 F.3d at 1477 (Rader, J., dissenting). In the current regime, "attorneys must devote much of their trial strategy to positioning themselves for the 'endgame' – claim construction on appeal. As the focus shifts from litigating the correct claim construction to preserving ways to compel reversal on appeal, [*e.g.*, making arguments in the alternative], the

uncertainty, cost and duration of patent litigation only increase." *Id.* at 1476; *see also* Kyle J. Fiet, *Comment*, *Restoring the Promise of* Markman*: Interlocutory Patent Appeals Reevaluated Post-*Phillips v. AWH Corp., 84 N.C. L. Rev. 1291, 1311 (2006) ("Unfortunately, Judge Rader's prediction that the de novo review standard would 'undermine, if not destroy the . . . certainty and predictability sought by *Markman* . . . ' largely has been realized." (first ellipsis in original) (citation omitted)).

For these reasons, this Court should reject the *de novo* standard of review, and hold that findings of fact made during claim construction may be overturned only for "clear error" pursuant to Rule 52(a)(6).

CONCLUSION

For the foregoing reasons, the ABA respectfully submits that this Court should overrule *Cybor* and *Lighting Ballast* and replace the existing *de novo* standard of review for the factual findings underpinning claim construction with a "clearly erroneous" standard of review.

Respectfully Submitted,

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Appendix

APPENDIX — ABA RESOLUTION #302

AMERICAN BAR ASSOCIATION

ADOPTED BY THE HOUSE OF DELEGATES
August 9-10, 2004

RESOLVED, That the American Bar Association recommends that courts apply the following principles in interpreting claim terms in a patent—

--In construing a patent claim term, the ordinary meaning of the claim term to one of ordinary skill in the art as used in the context of the patent shall apply, unless (a) the patentee has acted as his or her own lexicographer, in which case the patentee's definition should control; or (b) there has been a clear disavowal of claim scope, in which case the patentee should be bound by such action. In determining the ordinary meaning of the claim term to one of ordinary skill in the art as used in the context of the patent, the court shall look to dictionaries and similar sources, the specification and the prosecution history;

--While technical dictionaries should be given more weight than general purpose dictionaries, all types of dictionaries and similar sources should be considered;

--In construing or interpreting any disputed portion of a patent claim, courts should not rely on dictionaries and similar sources unless (a) that material has been made part of the record and (b) the parties have had a full and fair opportunity to address, challenge, or rebut that material;

--Courts should not apply a rule of claim construction whereby the specification is the primary source for claim construction such that the range of ordinary meaning of claim language is limited to the scope of the invention disclosed in the specification;

--Courts should not apply a rule of claim construction whereby the claim construction methodologies in the majority and dissent in the now-vacated panel opinion in *Phillips v. AWH Corp.*, 363 F.3d 1207 (Fed. Cir. 2004), are treated as complementary methodologies such that there is a dual restriction on claim scope, and a patentee must satisfy both limiting methodologies in order to establish the claim coverage it seeks;

--Courts should not consider invalidity under, e.g. 35 U.S.C. 102, 103, and 112, when construing claim terms in a patent;

--Courts should apply a rule of claim construction in which the prosecution history is given the same weight as the specification and both are considered in every case when evaluating the meaning of a claim term;

--Trial courts should receive expert testimony at the court's discretion to educate the court on the technology, but expert testimony may not be used to contradict the claim meaning discernable from the dictionaries and similar sources, specification, and prosecution history;

--While the ultimate issue of claim construction should be reviewed de novo, an appellate court should review only by the clearly erroneous standard any underlying findings of fact made by a trial court in connection with construing a claim term.